# 1981

# LIFE INSURANCE

# FACT BOOK

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# 1981
# LIFE INSURANCE
# FACT BOOK

A publication of the American Council of Life Insurance, serving the public as a central source of information about life insurance.

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# FOREWORD

The Life Insurance Fact Book, now in its 36th year of publication, is presented annually as part of the life insurance business's continuing commitment to public accountability. As the principal source of statistics about the life insurance business, this text summarizes the year's developments with text, tables and charts, together with historical information.

The Fact Book reports on the United States business of all legal reserve life insurance companies operating in this country, and the total domestic and foreign business of U.S. life companies. Information on life insurance issued by fraternal benefit societies operating in the U.S. and Canada is included in various parts of the text and in statistical material on pages 101 and 102.

Some insurance companies, through parent corporations or by ownership of subsidiaries, engage in other financial services, such as mutual funds. While the Fact Book includes descriptive information on these services, the statistics reflect only insurance operations.

The Fact Book data are derived from annual statements provided by life insurance companies, and through surveys conducted by the Council. Assistance is also given by commercial publishers of life insurance statistics, government agencies and other life insurance organizations.

The constructive comments of many people over the years have helped the Fact Book to become established as a useful and reliable source of information about the life insurance business.

ROBERT N. CHIAPPETTA, A.S.A.
Director
Information, Reference and Statistical Services

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# KEY LIFE INSURANCE STATISTICS

| | | | | % Change | |
|---|---|---|---|---|---|
| | 1970 | 1979 | 1980 | 1979-78 | 1980-79 |
| **Life Insurance in Force in the United States** *(000,000 Omitted)* | | | | | |
| Ordinary | $ 734,730 | $1,585,878 | $1,760,474 | 11.3 | 11.0 |
| Group | 551,357 | 1,419,418 | 1,579,355 | 14.1 | 11.3 |
| Industrial | 38,644 | 37,794 | 35,994 | - .8 | - 4.8 |
| Credit | 77,392 | 179,250 | 165,215 | 9.9 | - 7.8 |
| Total | $1,402,123 | $3,222,340 | $3,541,038 | 12.3 | 9.9 |
| **Average Amounts of Life Insurance in Force in the United States** | | | | | |
| Per Family | $ 20,700 | $ 38,500 | $ 41,500 | 9.7 | 7.8 |
| Per Insured Family | $ 24,400 | $ 44,800 | $ 48,300 | 9.8 | 7.8 |
| **Life Insurance Purchases in the United States*** *(000,000 Omitted)* | | | | | |
| Ordinary | $ 122,820 | $ 329,571 | $ 371,114 | 16.4 | 12.6 |
| Group | 63,690** | 157,906 | 170,184 | 26.2 | 7.8 |
| Industrial | 6,612 | 5,335 | 3,275 | -11.3 | -38.6 |
| Total | $ 193,122** | $ 492,812 | $ 544,573 | 19.0 | 10.5 |
| **Benefit Payments in the United States** *(000,000 Omitted)* | | | | | |
| Payments to Beneficiaries | $ 7,017 | $ 11,766 | $ 12,884 | 5.9 | 9.5 |
| Payments to Policyholders | 7,312 | 13,071 | 14,963 | 12.3 | 14.5 |
| Payments to Annuitants | 2,120 | 7,548 | 10,195 | 28.7 | 35.1 |
| Total | $ 16,449 | $ 32,385 | $ 38,042 | 13.2 | 17.5 |
| **Premium Receipts of U.S. Life Insurance Companies** *(000,000 Omitted)* | | | | | |
| Life Insurance | $ 21,679 | $ 39,083 | $ 40,829 | 6.8 | 4.5 |
| Annuity Considerations | 3,721 | 17,939 | 24,030 | 9.8 | 34.0 |
| Health Insurance | 11,367 | 27,894 | 29,366 | 8.0 | 5.3 |
| Total | $ 36,767 | $ 84,916 | $ 94,225 | 7.8 | 11.0 |
| **Assets of U.S. Life Companies** *(000,000 Omitted)* | | | | | |
| Government Securities | $ 11,068 | $ 29,719 | $ 33,015 | 11.9 | 11.1 |
| Corporate Bonds | 73,098 | 168,990 | 179,603 | 8.3 | 6.3 |
| Stocks | 15,420 | 39,757 | 47,366 | 11.9 | 19.1 |
| Mortgages | 74,375 | 118,421 | 131,080 | 11.5 | 10.7 |
| Policy Loans | 16,064 | 34,825 | 41,411 | 15.5 | 18.9 |
| Other Assets | 17,229 | 40,570 | 46,735 | 14.3 | 15.2 |
| Total | $ 207,254 | $ 432,282 | $ 479,210 | 10.9 | 10.9 |
| **Net Rate of Investment Income of U.S. Life Insurance Companies (Before Federal Income Taxes)** *(000,000 Omitted)* | | | | | |
| Including Separate Accounts | 5.30% | 7.73% | 8.02% | — | — |
| Excluding Separate Accounts | 5.34% | 7.78% | 8.06% | — | — |

Note: Some data are revised from previous editions.

*Data for 1970 exclude all credit life insurance. Data for 1979 and 1980 include credit life insurance on loans of more than 10 years' duration. Data for 1980 are preliminary.

**Data include $17.1 billion of Servicemen's Group Life Insurance.

*Sources: American Council of Life Insurance and Life Insurance Marketing and Research Association.*

# LIFE INSURANCE IN 1980

During a year in which the nation as a whole experienced the highest rate of inflation in decades, the life insurance business was affected in a variety of ways.

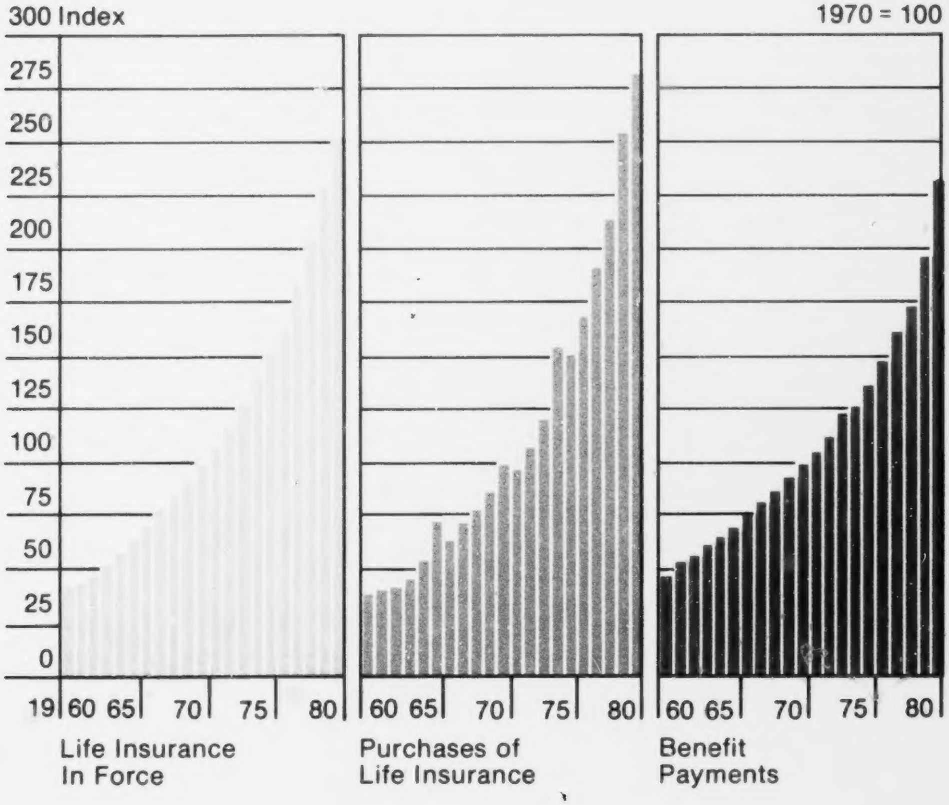
Both life insurance in force and life insurance purchases reached all time highs, exhibiting the largest increases in recent years. Assets, particularly policy loans, and the net earnings rate also grew markedly. On the other hand, benefits, surrender payments and voluntary lapse rates showed large increases.

Purchases of new life insurance were $544.6 billion—a 10.5% increase in a year. Life insurance in force topped $3,541 billion, bringing the average amount of life insurance per family to $41,500, $3,000 more than in 1979.

Life insurance issued by U.S. legal reserve life insurance companies was owned by 86% of American families; the average amount of life insurance owned by insured families was $48,300.

Two-thirds of the individuals in this nation owned some form of life insurance—most through legal reserve life insurance companies.

**Relative Growth In Life Insurance In Force, Purchases of Life Insurance, and Benefit Payments In the United States 1960-1980**



The volume of purchases of ordinary life insurance was over $371.1 billion, a 12.6% increase over 1979. Although the volume of group insurance has been steadily increasing, ordinary life insurance still accounts for nearly one-half of all life insurance in force.

While total premium receipts for all legal reserve life insurance companies increased 11.0%, to $94.2 billion, the largest gain was in annuity considerations—up 34.0%.

Benefit payments—excluding health insurance—reached a record $38.0 billion, up 17.5%. Payments to beneficiaries in 1980 totaled $12.9 billion. Some $14.9 billion was paid to life insurance policyholders and $10.2 billion to annuitants.

Assets of U.S. life insurance companies totaled $479.2 billion at year-end 1980. This was an increase of $46.9 billion, or 10.9%, from 1979 year-end.

Policy loans in 1980 increased 18.9% over 1979, the largest increase in any recent year, and totaled $41.4 billion, or 8.6% of assets at year-end.

The largest increase in investments, however, was in stocks, up 19.1% over year-end 1979.

The net rate of investment earnings rose from 7.78% to 8.06% (excluding separate accounts) before Federal taxes—an all-time high.

Other highlights of the life insurance business in 1980 include:

- Dollar volume of payments to beneficiaries rose 9.5% from 1979. The average size of death benefit payments was 6.8% larger.
- Life insurance premiums continued to account for a decreasing percentage of premium income as the volume of annuity considerations and health insurance premiums increased. In 1980, 43.3% of premium income came from life insurance; 10 years earlier life insurance accounted for 59.0%.
- Policy reserves totaled $390.3 billion in 1980, 50.7% of which were life insurance reserves.
- Separate account assets totaled $35.8 billion at the end of 1980, a 39.5% increase during the year. Although these accounts continue to consist primarily of stocks, bond holdings increased 34.9% during 1980.
- Over 26 million persons are now covered by private pension plans with life insurance companies. The total reserves of such plans were $165.8 billion in 1980, an increase of $26.7 billion, or 19.2%, over year-end 1979. Payments to annuitants and survivors amounted to $5.0 billion.

# LIFE INSURANCE PURCHASES

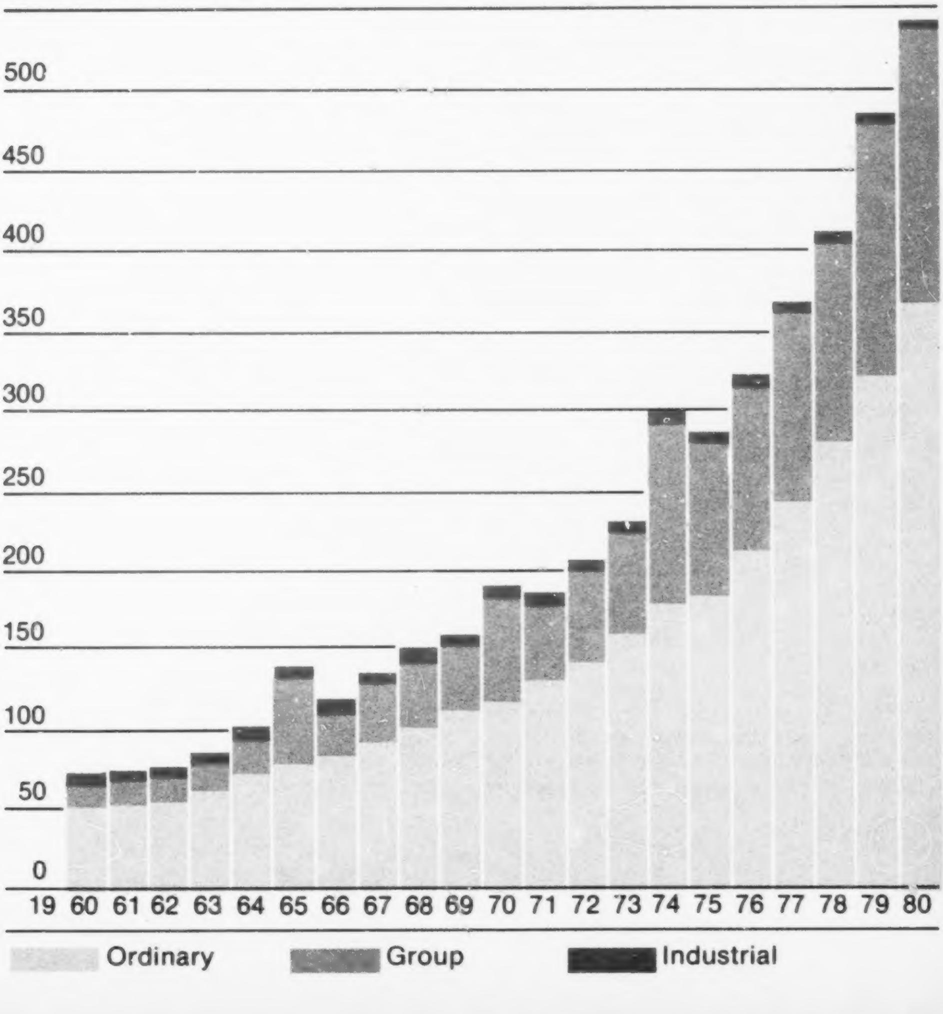
Americans purchased $544.6 billion of new life insurance in 1980, an increase of 10.5% over 1979.

People buy life insurance for many reasons, but mainly to provide financial protection for their families if they themselves should die prematurely. A person creates an estate, or adds to one, with a life insurance policy, and the future of that estate is protected as the policy is maintained over the years. Over two-thirds of new life insurance protection purchased in the United States in 1980 was bought on an individual basis — that is, by personal or family decision — usually through a life insurance agent. Purchases of ordinary life insurance increased in 1980, totaling $371.1 billion, a rise of 12.6% during the year. This follows an increase of 16.4% during 1979.

Purchases of industrial life insurance, the other type of individual coverage, came to $3.3 billion during 1980, a decrease of $2.1 billion from 1979.

Group purchases totaled $170.2 billion, $12.3 billion above the 1979 total. Nearly one-half of group life purchased in 1980 was under new master contracts

**Life Insurance Purchases in the United States**



## Purchases of Ordinary Life Insurance in the United States by State *(000,000 Omitted)*

(Exclusive of Revivals, Increases, Dividend Additions and Reinsurance Acquired)

| State | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|---|---|
| Alabama | $ 3,008 | $ 3,259 | $ 3,946 | $ 4,544 | $ 5,162 | $ 5,981 | $ 6,762 |
| Alaska | 309 | 378 | 450 | 473 | 552 | 628 | 767 |
| Arizona | 2,106 | 2,151 | 2,319 | 2,772 | 3,445 | 4,294 | 4,806 |
| Arkansas | 1,325 | 1,337 | 1,629 | 1,993 | 2,185 | 2,597 | 2,998 |
| California | 19,149 | 19,714 | 22,517 | 26,905 | 31,329 | 37,573 | 42,212 |
| Colorado | 2,815 | 3,099 | 3,470 | 3,976 | 4,748 | 5,809 | 6,699 |
| Connecticut | 2,839 | 2,846 | 3,263 | 3,589 | 4,022 | 4,767 | 5,641 |
| Delaware | 508 | 517 | 570 | 642 | 714 | 833 | 1,011 |
| D.C. | 649 | 753 | 723 | 795 | 905 | 1,043 | 1,211 |
| Florida | 8,391 | 8,050 | 9,120 | 10,582 | 12,225 | 14,667 | 17,352 |
| Georgia | 5,158 | 5,239 | 6,141 | 7,039 | 8,202 | 9,497 | 10,720 |
| Hawaii | 1,040 | 1,106 | 1,190 | 1,280 | 1,465 | 1,774 | 2,026 |
| Idaho | 698 | 747 | 890 | 1,067 | 1,294 | 1,401 | 1,587 |
| Illinois | 10,536 | 11,052 | 12,389 | 14,145 | 15,684 | 17,856 | 19,390 |
| Indiana | 4,780 | 4,693 | 5,333 | 6,218 | 6,956 | 7,914 | 8,320 |
| Iowa | 2,576 | 2,774 | 3,132 | 3,750 | 4,281 | 4,711 | 5,088 |
| Kansas | 2,183 | 2,371 | 2,717 | 3,212 | 3,530 | 4,043 | 4,374 |
| Kentucky | 2,302 | 2,453 | 2,864 | 3,300 | 3,707 | 4,287 | 4,573 |
| Louisiana | 3,120 | 3,398 | 4,046 | 5,020 | 6,082 | 7,072 | 8,375 |
| Maine | 726 | 718 | 820 | 923 | 1,025 | 1,126 | 1,321 |
| Maryland | 3,625 | 3,823 | 4,298 | 4,773 | 5,295 | 5,984 | 6,813 |
| Massachusetts | 4,567 | 4,528 | 4,953 | 5,473 | 6,071 | 7,360 | 8,161 |
| Michigan | 6,282 | 6,276 | 7,126 | 8,318 | 9,245 | 10,422 | 10,575 |
| Minnesota | 3,174 | 3,237 | 3,697 | 4,362 | 5,032 | 5,995 | 6,554 |
| Mississippi | 1,491 | 1,512 | 1,755 | 2,217 | 2,648 | 3,055 | 3,522 |
| Missouri | 3,924 | 4,067 | 4,620 | 5,311 | 6,061 | 6,784 | 7,346 |
| Montana | 622 | 650 | 724 | 899 | 1,019 | 1,119 | 1,251 |
| Nebraska | 1,559 | 1,584 | 1,817 | 2,191 | 2,525 | 2,938 | 3,191 |
| Nevada | 476 | 481 | 586 | 774 | 894 | 1,145 | 1,424 |
| New Hampshire | 691 | 698 | 842 | 1,017 | 1,121 | 1,335 | 1,452 |
| New Jersey | 7,001 | 7,183 | 7,771 | 8,605 | 9,471 | 10,909 | 12,583 |
| New Mexico | 872 | 919 | 1,038 | 1,281 | 1,514 | 1,848 | 1,999 |
| New York | 14,287 | 14,323 | 15,449 | 16,827 | 18,452 | 20,630 | 24,080 |
| North Carolina | 4,603 | 4,795 | 5,464 | 6,280 | 7,183 | 8,156 | 9,209 |
| North Dakota | 535 | 600 | 719 | 805 | 1,032 | 1,204 | 1,392 |
| Ohio | 9,348 | 9,455 | 10,531 | 11,826 | 13,537 | 15,420 | 16,196 |
| Oklahoma | 2,389 | 2,506 | 2,791 | 3,535 | 4,123 | 4,728 | 5,861 |
| Oregon | 1,673 | 1,696 | 1,981 | 2,503 | 2,940 | 3,419 | 3,655 |
| Pennsylvania | 9,220 | 9,283 | 10,302 | 11,669 | 13,125 | 14,793 | 16,542 |
| Rhode Island | 811 | 800 | 970 | 1,014 | 1,101 | 1,370 | 1,689 |
| South Carolina | 2,347 | 2,427 | 2,840 | 3,249 | 3,793 | 4,474 | 5,184 |
| South Dakota | 636 | 625 | 753 | 852 | 1,018 | 1,178 | 1,340 |
| Tennessee | 3,534 | 3,736 | 4,436 | 5,140 | 5,899 | 6,744 | 7,298 |
| Texas | 11,711 | 12,403 | 14,823 | 17,135 | 20,356 | 24,873 | 29,628 |
| Utah | 1,152 | 1,234 | 1,479 | 1,871 | 2,238 | 2,722 | 3,308 |
| Vermont | 371 | 356 | 414 | 458 | 524 | 593 | 716 |
| Virginia | 4,221 | 4,275 | 4,984 | 6,199 | 7,119 | 8,254 | 9,119 |
| Washington | 2,725 | 2,923 | 3,376 | 4,074 | 4,684 | 5,646 | 6,254 |
| West Virginia | 1,055 | 1,143 | 1,325 | 1,536 | 1,714 | 1,946 | 2,072 |
| Wisconsin | 3,326 | 3,456 | 3,955 | 4,524 | 5,198 | 5,892 | 6,604 |
| Wyoming | 309 | 354 | 436 | 510 | 622 | 762 | 863 |
| Total U.S. | $182,755 | $188,003 | $213,784 | $247,453 | $283,067 | $329,571 | $371,114 |

Note: The series includes mass-marketed ordinary insurance. Data include long-term individual credit insurance. Data for 1979 are revised and data for 1980 are preliminary.

*Sources: Life Insurance Marketing and Research Association and American Council of Life Insurance.*

# LIFE INSURANCE PURCHASES

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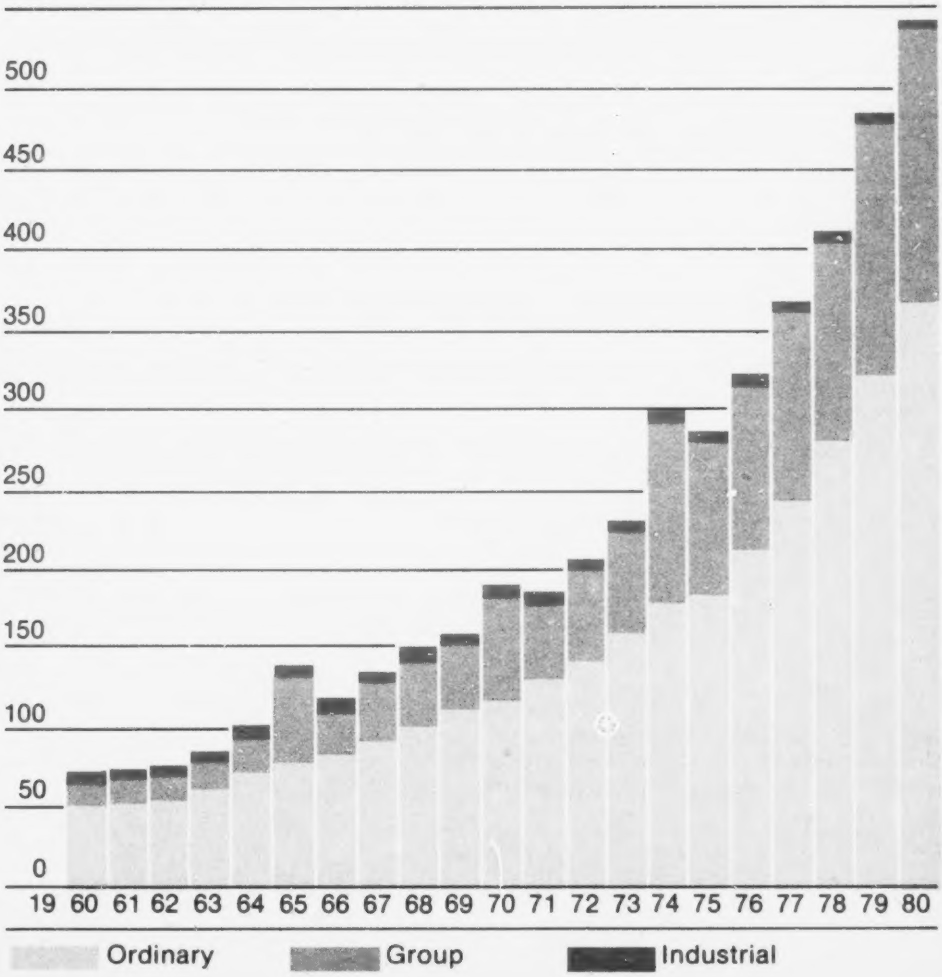
**Life Insurance Purchases in the United States**



## Life Insurance Purchases in the United States

(Exclusive of Revivals, Increases, Dividend Additions and Reinsurance Acquired)

| | Ordinary | | Group | | Industrial | | Total | |
|---|---|---|---|---|---|---|---|---|
| Year | Policies *(000 Omitted)* | Amount *(000,000 Omitted)* | Certificates *(000 Omitted)* | Amount *(000,000 Omitted)* | Policies *(000 Omitted)* | Amount *(000,000 Omitted)* | Number *(000 Omitted)* | Amount *(000,000 Omitted)* |
| 1940 ..... | 3,855 | $ 6,689 | 285 | $ 691 | 14,017 | $3,350 | 18,157 | $ 10,730 |
| 1945 ..... | 4,343 | 9,859 | 681 | 1,265 | 11,869 | 3,430 | 16,893 | 14,554 |
| 1950 ..... | 5,279 | 17,326 | 2,631 | 6,068 | 14,924 | 5,402 | 22,834 | 28,796 |
| 1955 ..... | 7,572 | 30,827 | 2,217 | 11,258* | 14,356 | 6,342 | 24,145 | 48,427* |
| 1960 ..... | 8,734 | 52,883 | 3,734 | 14,645 | 12,287 | 6,880 | 24,755 | 74,408 |
| 1965 ..... | 9,937 | 83,485 | 7,007 | 51,385† | 10,492 | 7,296 | 27,436 | 142,166† |
| 1966 ..... | 10,131 | 88,693 | 4,055 | 26,219 | 9,764 | 7,078 | 23,950 | 121,990 |
| 1967 ..... | 10,192 | 94,694 | 4,353 | 39,118* | 9,404 | 7,056 | 23,949 | 140,868* |
| 1968 ..... | 10,461 | 103,944 | 4,875 | 39,877* | 8,417 | 6,674 | 23,753 | 150,495* |
| 1969 ..... | 10,588 | 113,500 | 5,156 | 39,329 | 7,916 | 6,454 | 23,660 | 159,283 |
| 1970 ..... | 10,968 | 122,820 | 5,219 | 63,690† | 7,582 | 6,612 | 23,769 | 193,122† |
| 1971 ..... | 11,281 | 132,130 | 5,403 | 49,407 | 8,326 | 7,274 | 25,010 | 188,811 |
| 1972 ..... | 11,844 | 145,479 | 6,698 | 55,857 | 8,123 | 7,394 | 26,665 | 208,730 |
| 1973 ..... | 12,198 | 162,506 | 7,065 | 64,461 | 7,506 | 7,224 | 26,769 | 234,191 |
| 1974 ..... | 12,763 | 182,755 | 7,994 | 111,622† | 6,747 | 6,680 | 27,504 | 301,057† |
| 1975 ..... | 12,549 | 188,003 | 8,146 | 95,190† | 6,397 | 6,729 | 27,092 | 289,922† |
| 1976 ..... | 13,219 | 213,784 | 9,145 | 104,683 | 5,962 | 6,382 | 28,326 | 324,849 |
| 1977 ..... | 13,679 | 247,453 | 9,599 | 115,839 | 5,859 | 6,504 | 29,137 | 369,796 |
| 1978 ..... | 13,987 | 283,067 | 9,267 | 125,129 | 5,445 | 6,015 | 28,699 | 414,211 |
| 1979 ..... | 14,259 | 329,571 | 9,245 | 157,906 | 4,457 | 5,335 | 27,961 | 492,812 |
| 1980 ..... | 13,999 | 371,114 | 10,010 | 170,184 | 2,977 | 3,275 | 26,986 | 544,573 |

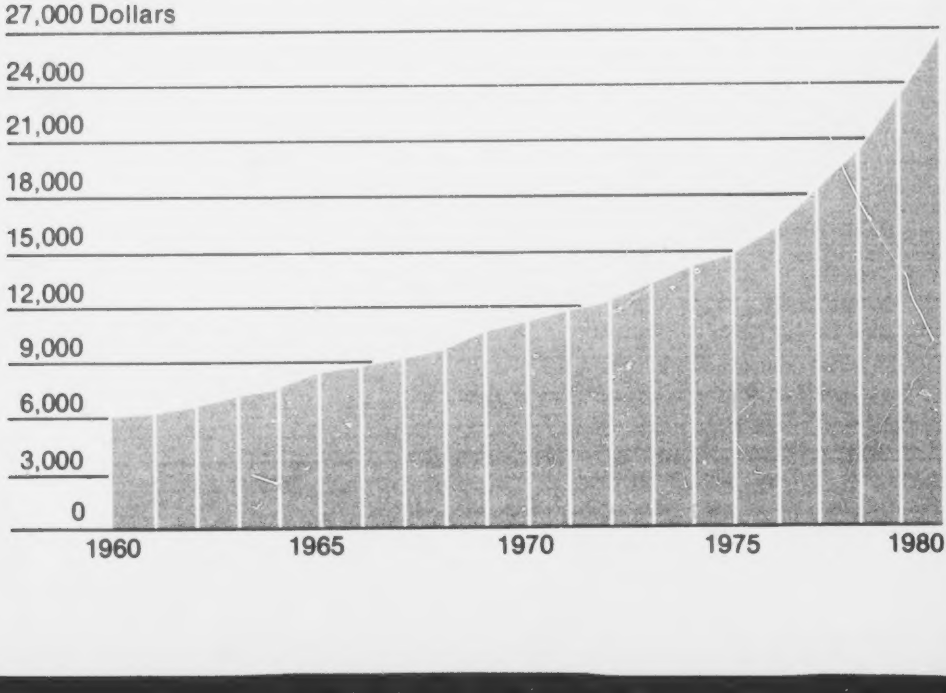
Note: Figures from 1940-1973 exclude all credit life insurance. Beginning with 1974, data include long-term credit insurance (life insurance on loans of more than ten years' duration). Data for 1979 are revised and data for 1980 are preliminary.

*Includes Federal Employees' Group Life Insurance of $1.9 billion in 1955, $8.3 billion in 1967 and $3.4 billion in 1968.

†Includes Servicemen's Group Life Insurance of $27.8 billion in 1965, $17.1 billion in 1970, $29.2 billion in 1974 and $1.7 billion in 1975.

*Sources: Life Insurance Marketing and Research Association and American Council of Life Insurance.*

## Average Size Ordinary Life Insurance Policy Purchased in the United States



## Analysis of Ordinary Life Insurance Purchases in the United States

| | % of Policies | | % of Amount | |
|---|---|---|---|---|
| | 1970 | 1980 | 1970 | 1980 |
| SEX OF INSURED | | | | |
| Male Insureds Under 15 | 9 | 8 | 2 | 2 |
| Female Insureds Under 15 | 7 | 7 | 2 | 2 |
| Male Adults | 61 | 53 | 84 | 74 |
| Female Adults | 23 | 32 | 12 | 22 |
| Total | 100 | 100 | 100 | 100 |
| AGE OF INSURED | | | | |
| Under 15 | 16 | 15 | 4 | 5 |
| 15-24 | 34 | 25 | 30 | 17 |
| 25-34 | 25 | 33 | 34 | 42 |
| 35-44 | 13 | 15 | 20 | 23 |
| 45 or Over | 12 | 12 | 12 | 13 |
| Total | 100 | 100 | 100 | 100 |
| INCOME OF INSURED* | | | | |
| Under $5,000 | 16 | 1 | 7 | † |
| $5,000-$7,499 | 35 | 6 | 24 | 2 |
| $7,500-$9,999 | 23 | 10 | 22 | 5 |
| $10,000-$24,999 | 22 | 62 | 33 | 51 |
| $25,000 or Over | 4 | 21 | 14 | 42 |
| Total | 100 | 100 | 100 | 100 |
| SIZE OF POLICY | | | | |
| Under $2,000 | 15 | 3 | 1 | † |
| $2,000-$4,999 | 16 | 8 | 4 | 1 |
| $5,000-$9,999 | 21 | 14 | 10 | 3 |
| $10,000-$24,999 | 35 | 34 | 38 | 15 |
| $25,000 or Over | 13 | 41 | 47 | 81 |
| Total | 100 | 100 | 100 | 100 |
| TYPE OF POLICY | | | | |
| Straight Life | 30 | 36 | 26 | 23 |
| Limited Payment Life | 19 | 13 | 9 | 4 |
| Endowment | 6 | 2 | 3 | 1 |
| Retirement Income | 2 | 1 | 2 | † |
| Modified Life | 5 | 6 | 5 | 6 |
| Level or Decreasing Term | 10 | 22 | 20 | 43 |
| Family Plan | 5 | 1 | 3 | 1 |
| with Additional Term | 3 | † | 7 | † |
| Regular Policy with F/P Rider | 5 | 6 | 5 | 5 |
| and Additional Term | 2 | 2 | 5 | 4 |
| Combination | 11 | 10 | 14 | 12 |
| Progressive and Other | 2 | 1 | 1 | 1 |
| Total | 100 | 100 | 100 | 100 |
| MODE OF PREMIUM PAYMENT | | | | |
| Annual | 18 | 17 | 25 | 23 |
| Semiannual | 6 | 5 | 6 | 7 |
| Quarterly | 11 | 10 | 11 | 10 |
| Monthly Debit‡ | 24 | 20 | 10 | 6 |
| Bank Plan** | 15 | 31 | 20 | 36 |
| Other Monthly | 21 | 12 | 23 | 13 |
| Salary Savings | 5 | 5 | 5 | 5 |
| Total | 100 | 100 | 100 | 100 |

Note: Figures exclude credit life insurance.

*Ages 0-14 and persons without gainful income excluded.

†Less than .5%.

‡Includes a small amount of weekly premium ordinary.

**Most common frequency is monthly.

*Source: Life Insurance Marketing and Research Association.*

issued chiefly to employers. The remaining half was under existing contracts broadened to include additional categories of employees or to increase overall levels of coverage. Increases resulting from higher salaries or enlarged employee groups are not considered new purchases. Purchases in 1980 included $8.1 billion of new group coverage for employees' dependents.

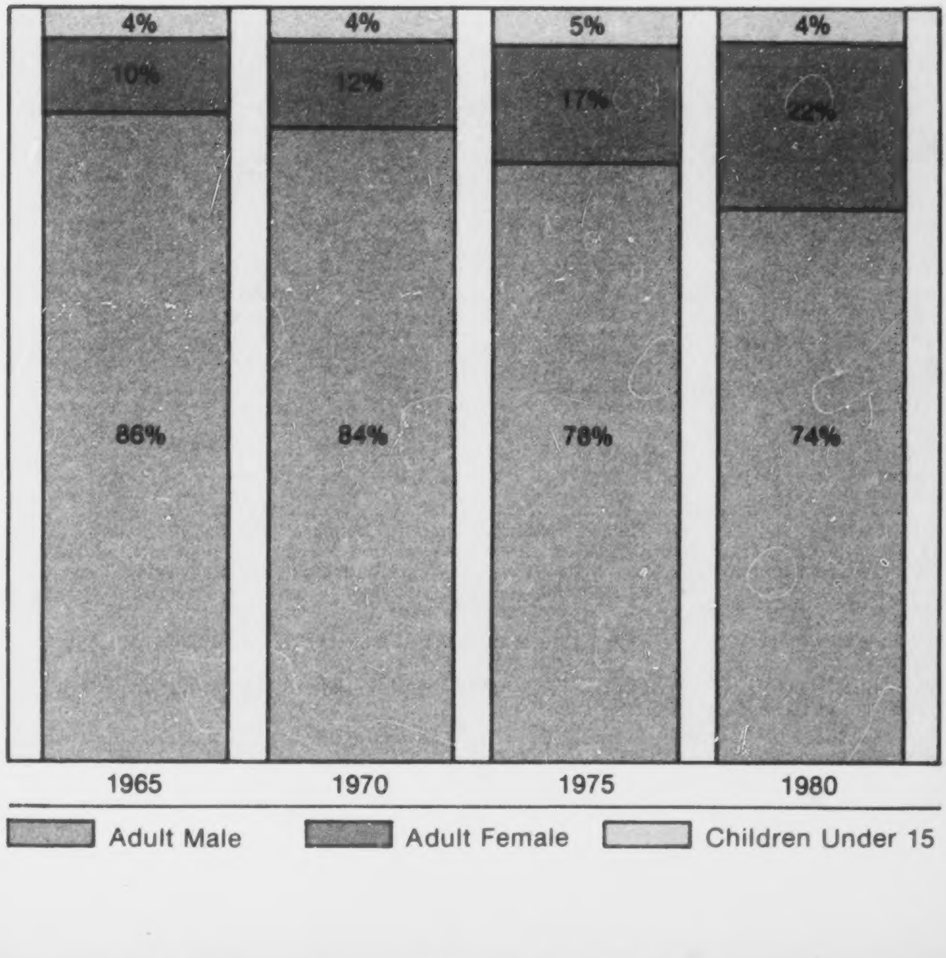
Of the 27.0 million new life insurance policies and certificates purchased during the year, 14.0 million were ordinary policies, 3.0 million were industrial policies and 10.0 million were group certificates.

The average size of the ordinary policies being bought continues to increase. In 1970, for example, the average new ordinary policy was $11,200; by 1975, the amount had increased to $14,980; in 1979, to $23,110; and in 1980, to $26,510.

A sample survey of ordinary life insurance purchased by Americans in 1980 showed that 58% of all new policies were for people between the ages of 15 and 34. An analysis of the volume of ordinary life insurance purchased over the ten-year period of 1970 to 1980 showed a continuing shift towards term insurance. The rising proportion of term insurance has been more evident in the 1970s. Term amounted to 41% of the volume purchased in 1970, and 57% in 1980. However, permanent (cash value) insurance continues to be the type of

### Distribution of Amount of Ordinary Life Policies Purchased by Sex of Insured

In the United States



ordinary most commonly purchased, either alone or in combination with some term insurance. When measured by numbers of policies purchased, permanent insurance was included in 78% of all ordinary policies sold.

More women are buying life insurance, and the 1980 sample survey reflects the increased proportion of policies and amounts purchased on adult female lives. The ratio of men to women buyers, when measured by policies purchased, was 61 to 23 in 1970 compared with 53 to 32 in 1980. Measured by amounts, the ratios of men to women were 84 to 12 in 1970 and 74 to 22 in 1980.

The average size policy purchased on women's lives has been increasing at a faster rate than that of men. According to the survey results, the average size ordinary policy for women increased by 235% between 1970 and 1980, and increased by 150% for men.

## Life Insurance Purchases In U.S. Life Insurance Companies *(000,000 Omitted)*

(Exclusive of Revivals, Increases and Dividend Additions)

| Year | Ordinary | Group | Industrial | Total |
|---|---|---|---|---|
| 1921 | $ 6,248 | $ 128 | $1,581 | $ 7,957 |
| 1925 | 10,060 | 1,075 | 3,143 | 14,278 |
| 1930 | 11,905 | 1,381 | 3,979 | 17,265 |
| 1935 | 7,550 | 715 | 4,033 | 12,298 |
| 1940 | 7,022 | 747 | 3,318 | 11,087 |
| 1945 | 10,577 | 1,302 | 3,512 | 15,391 |
| 1950 | 18,260 | 6,237 | 5,492 | 29,989 |
| 1955 | 32,207 | 11,637* | 6,399 | 50,243* |
| 1960 | 56,183 | 15,328 | 6,906 | 78,417 |
| 1961 | 58,888 | 19,181 | 7,248 | 85,317 |
| 1962 | 61,259 | 16,260 | 7,105 | 84,624 |
| 1963 | 68,862 | 19,854 | 7,166 | 95,882 |
| 1964 | 79,430 | 25,149 | 7,320 | 111,899 |
| 1965 | 89,643 | 52,867† | 7,302 | 149,812† |
| 1966 | 95,987 | 27,589 | 7,083 | 130,659 |
| 1967 | 103,823 | 43,195* | 7,052 | 154,070* |
| 1968 | 112,820 | 42,596* | 6,675 | 162,091* |
| 1969 | 124,124 | 42,192 | 6,495 | 172,811 |
| 1970 | 134,802 | 65,381† | 6,612 | 206,795† |
| 1971 | 145,496 | 55,432 | 7,651 | 208,579 |
| 1972 | 159,063 | 61,920 | 7,394 | 228,377 |
| 1973 | 175,629 | 67,703 | 7,224 | 250,556 |
| 1974 | 198,981 | 117,790† | 6,680 | 323,451† |
| 1975 | 207,052 | 102,659† | 6,741 | 316,452† |
| 1976 | 233,583 | 112,232 | 6,382 | 352,197 |
| 1977 | 277,310 | 123,844 | 6,504 | 407,658 |
| 1978 | 304,136 | 127,735 | 6,015 | 437,886 |
| 1979 | 359,147 | 162,343 | 5,335 | 526,825 |
| 1980 | 412,048 | 181,415 | 3,275 | 596,738 |

Note: Data for 1979 are revised. Data for 1980 are preliminary. Totals represent all life insurance issued by U.S. life companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded) whether the policyholders are residents of the United States or some other country. Figures from 1921-1973 exclude all credit life insurance. Beginning with 1974, data include long-term credit insurance (life insurance on loans of more than ten years' duration).

*Includes Federal Employees' Group Life Insurance of $1.9 billion in 1955, $8.2 billion in 1967 and $3.4 billion in 1968.

†Includes Servicemen's Group Life Insurance of $27.4 billion in 1965, $16.8 billion in 1970, $28.8 billion in 1974 and $1.7 billion in 1975.

*Sources:* Spectator Year Book, *American Council of Life Insurance and Life Insurance Marketing and Research Association.*

# LIFE INSURANCE OWNERSHIP

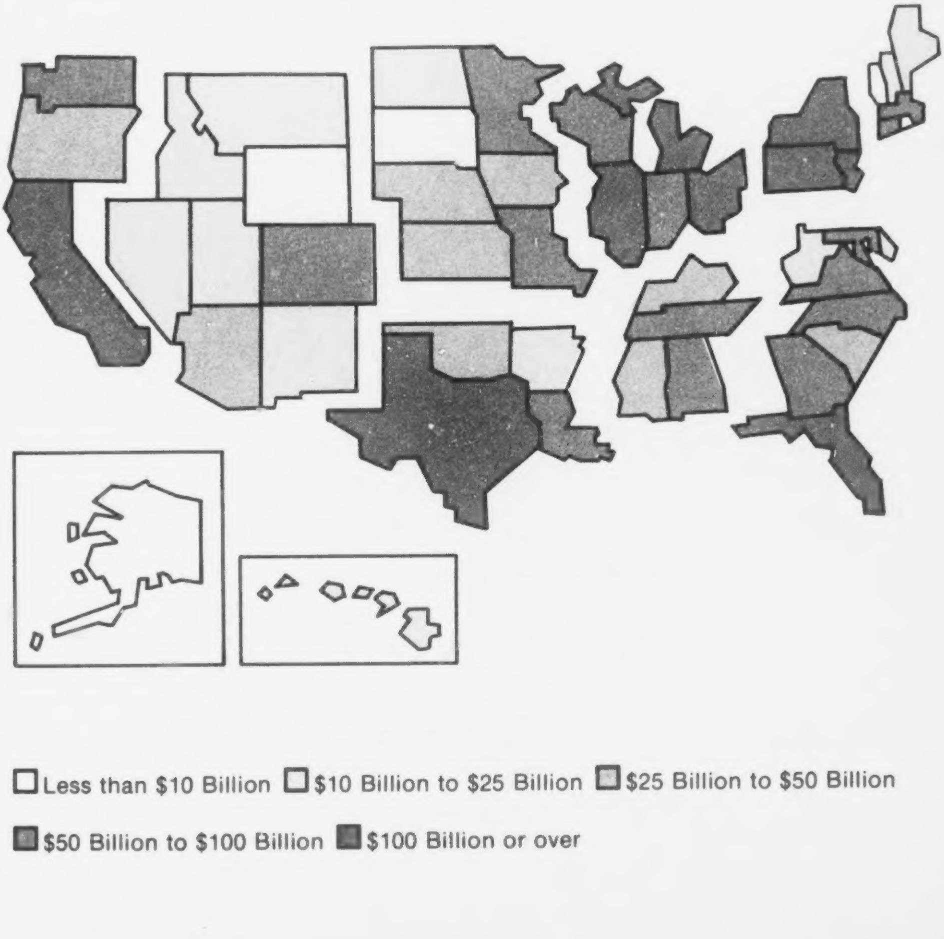
Life insurance in force in the United States reached a new high of $3,541 billion at the end of 1980, an increase of $318.7 billion, or 9.9%, over year-end 1979.

If this total of life insurance were divided equally among all American families, each would have had $41,500 of protection at year-end. Excluding families without life insurance, the average for insured families was about $48,300. Despite significant increases in the amounts of coverage, protection for all families was equal to only 23 months of total disposable personal income per family at the end of 1980.

Some 147 million policyholders, or 2 out of 3 people in the country, were insured by legal reserve life insurance companies at the end of 1980.

The East North Central section of the country had the largest amount of coverage. Some $711.6 billion of life insurance was in force there at year-end 1980, followed by the Middle Atlantic with $599.8 billion. By state, California had

**Life Insurance In Force**
**In the United States by State 1980**


☐ Less than $10 Billion
☐ $10 Billion to $25 Billion
▨ $25 Billion to $50 Billion
▩ $50 Billion to $100 Billion
■ $100 Billion or over

## Life Insurance In Force in the United States

*(000,000 Omitted)*

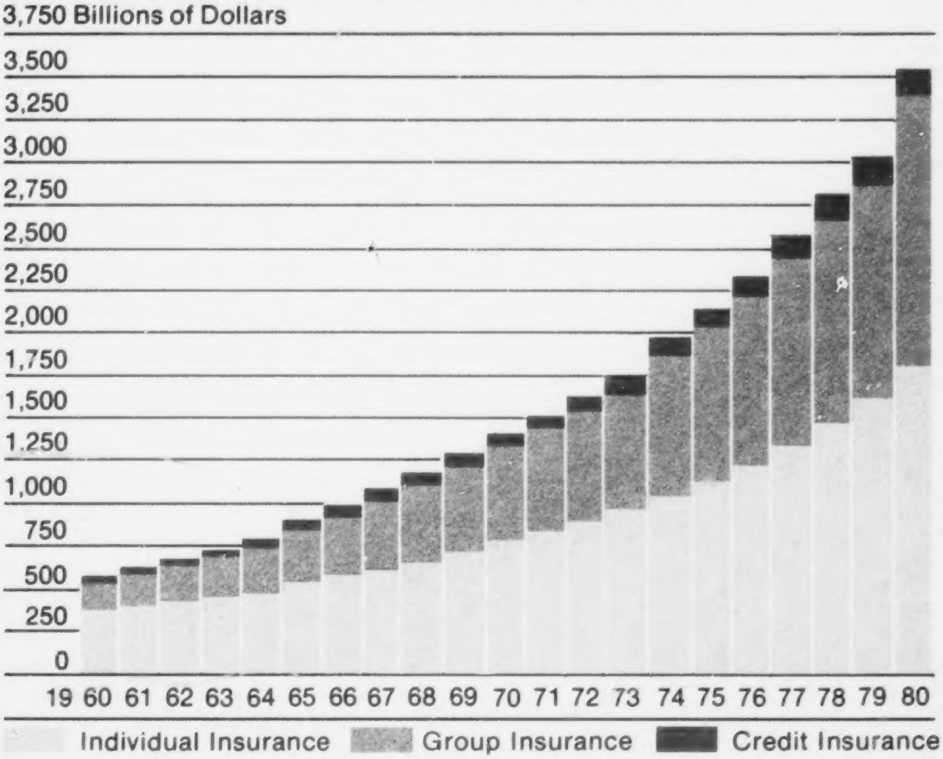
| | Ordinary | | Group | | Industrial | | Credit | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | No. | Amt. | Cert. | Amt. | No. | Amt. | No.† | Amt. | No. | Amt. |
| 1900 | 3 | $ 6,124 | — | — | 11 | $ 1,449 | — | — | 14 | $ 7,573 |
| 1905 | 5 | 9,585 | — | — | 17 | 2,278 | — | — | 22 | 11,863 |
| 1910 | 6 | 11,783 | — | — | 23 | 3,125 | — | — | 29 | 14,908 |
| 1915 | 9 | 16,650 | * | $ 100 | 32 | 4,279 | — | — | 41 | 21,029 |
| 1920 | 16 | 32,018 | 2 | 1,570 | 48 | 6,948 | * | $ 4 | 66 | 40,540 |
| 1925 | 23 | 52,892 | 3 | 4,247 | 71 | 12,318 | * | 18 | 97 | 69,475 |
| 1930 | 32 | 78,576 | 6 | 9,801 | 86 | 17,963 | * | 73 | 124 | 106,413 |
| 1935 | 33 | 70,684 | 6 | 10,208 | 81 | 17,471 | 1 | 101 | 121 | 98,464 |
| 1936 | 33 | 72,361 | 7 | 11,291 | 83 | 18,863 | 1 | 138 | 124 | 102,653 |
| 1937 | 34 | 74,836 | 7 | 12,638 | 85 | 20,104 | 1 | 216 | 127 | 107,794 |
| 1938 | 35 | 75,772 | 7 | 12,503 | 85 | 20,396 | 2 | 256 | 129 | 108,927 |
| 1939 | 36 | 77,121 | 8 | 13,641 | 85 | 20,500 | 2 | 307 | 131 | 111,569 |
| 1940 | 37 | 79,346 | 9 | 14,938 | 85 | 20,866 | 3 | 380 | 134 | 115,530 |
| 1941 | 39 | 82,525 | 10 | 17,359 | 87 | 21,825 | 3 | 469 | 139 | 122,178 |
| 1942 | 41 | 85,139 | 11 | 19,316 | 90 | 22,911 | 2 | 355 | 144 | 127,721 |
| 1943 | 43 | 89,596 | 13 | 22,413 | 94 | 24,874 | 2 | 275 | 152 | 137,158 |
| 1944 | 46 | 95,085 | 13 | 23,922 | 98 | 26,474 | 2 | 290 | 159 | 145,771 |
| 1945 | 48 | 101,550 | 12 | 22,172 | 101 | 27,675 | 2 | 365 | 163 | 151,762 |
| 1946 | 53 | 112,818 | 13 | 27,206 | 104 | 29,313 | 3 | 729 | 173 | 170,066 |
| 1947 | 56 | 122,393 | 16 | 32,026 | 106 | 30,406 | 5 | 1,210 | 183 | 186,035 |
| 1948 | 58 | 131,158 | 16 | 37,068 | 106 | 31,253 | 6 | 1,729 | 186 | 201,208 |
| 1949 | 61 | 138,862 | 17 | 40,207 | 107 | 32,087 | 8 | 2,516 | 193 | 213,672 |
| 1950 | 64 | 149,116 | 19 | 47,793 | 108 | 33,415 | 11 | 3,844 | 202 | 234,168 |
| 1951 | 67 | 159,109 | 21 | 54,398 | 109 | 34,870 | 12 | 4,763 | 209 | 253,140 |
| 1952 | 70 | 170,875 | 24 | 62,913 | 111 | 36,448 | 14 | 6,355 | 219 | 276,591 |
| 1953 | 73 | 185,007 | 26 | 72,913 | 112 | 37,781 | 18 | 8,558 | 229 | 304,259 |
| 1954 | 76 | 198,599 | 29 | 86,410 | 111 | 38,664 | 21 | 10,046 | 237 | 333,719 |
| 1955 | 80 | 216,812 | 32 | 101,345 | 112 | 39,682 | 28 | 14,493 | 252 | 372,332 |
| 1956 | 83 | 238,348 | 35 | 117,399 | 110 | 40,109 | 32 | 16,774 | 260 | 412,630 |
| 1957 | 87 | 264,949 | 37 | 133,905 | 108 | 40,139 | 34 | 19,366 | 266 | 458,359 |
| 1958 | 89 | 288,607 | 39 | 144,772 | 104 | 39,646 | 35 | 20,536 | 267 | 493,561 |
| 1959 | 93 | 317,158 | 41 | 160,163 | 102 | 39,809 | 38 | 24,998 | 274 | 542.128 |
| 1960 | 95 | 341,881 | 44 | 175,903 | 100 | 39,563 | 43 | 29,101 | 282 | 586,448 |
| 1961 | 97 | 366,141 | 46 | 192,794 | 98 | 39,451 | 45 | 31,107 | 286 | 629,493 |
| 1962 | 99 | 391,048 | 49 | 209,950 | 95 | 39,638 | 47 | 35,341 | 290 | 675,977 |
| 1963 | 102 | 420,808 | 51 | 229,477 | 93 | 39,672 | 52 | 40,666 | 298 | 730,623 |
| 1964 | 104 | 457,868 | 55 | 253,620 | 92 | 39,833 | 58 | 46,487 | 309 | 797,808 |
| 1965 | 107 | 499,638 | 61 | 308,078 | 89 | 39,818 | 63 | 53,020 | 320 | 900,554 |
| 1966 | 109 | 541,022 | 65 | 345,945 | 88 | 39,663 | 69 | 58,059 | 331 | 984,689 |
| 1967 | 113 | 584,570 | 69 | 394,501 | 84 | 39,215 | 70 | 61,535 | 336 | 1,079,821 |
| 1968 | 116 | 633,392 | 73 | 442,778 | 81 | 38,827 | 75 | 68,357 | 345 | 1,183,354 |
| 1969 | 118 | 682,453 | 76 | 488,864 | 79 | 38,614 | 78 | 74,598 | 351 | 1,284,529 |
| 1970 | 120 | 734,730 | 80 | 551,357 | 77 | 38,644 | 78 | 77,392 | 355 | 1,402,123 |
| 1971 | 123 | 792,318 | 82 | 589,883 | 76 | 39,202 | 76 | 81,931 | 357 | 1,503,334 |
| 1972 | 126 | 853,911 | 85 | 640,689 | 76 | 39,975 | 78 | 93,410 | 365 | 1,627,985 |
| 1973 | 128 | 928,192 | 88 | 708,322 | 75 | 40,632 | 78 | 101,154 | 369 | 1,778,300 |
| 1974 | 131 | 1,009,038 | 94 | 827,018 | 71 | 39,441 | 84 | 109,623 | 380 | 1,985,120 |
| 1975 | 134 | 1,083,421 | 96 | 904,695 | 70 | 39,423 | 80 | 112,032 | 380 | 2,139,571 |
| 1976 | 137 | 1,177,672 | 100 | 1,002,647 | 67 | 39,175 | 78 | 123,569 | 382 | 2,343,063 |
| 1977 | 139 | 1,289,321 | 106 | 1,115,047 | 66 | 39,045 | 79 | 139,402 | 390 | 2,582,815 |
| 1978 | 142 | 1,425,095 | 111 | 1,243,994 | 64 | 38,080 | 84 | 163,081 | 401 | 2,870,250 |
| 1979 | 146 | 1,585,878 | 115 | 1,419,418 | 62 | 37,794 | 84 | 179,250 | 407 | 3,222,340 |
| 1980 | 148 | 1,760,474 | 118 | 1,579,355 | 58 | 35,994 | 78 | 165,215 | 402 | 3,541,038 |

Note: "Credit" is limited to life insurance on loans of 10 years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than 10 years' duration. Totals for "In the United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Beginning with 1959, the data include Alaska and Hawaii.

*Fewer than 500,000. †Includes group credit certificates.

*Sources:* Spectator Year Book *and American Council of Life Insurance.*

## Growth of Individual, Group and Credit Life Insurance In Force in the United States



the largest total, $355.4 billion and New York ranked second with $281.1 billion. The District of Columbia exceeded all other states in ownership per family with an average of $73,200 of insurance per family; Delaware was in second place with $59,600 per family.

The principal type of life insurance protection for Americans continues to be ordinary life insurance, purchased individually to meet individual needs. Ordinary insurance in force at the end of 1980 totaled $1,760.5 billion, 49.7% of all life insurance in force in the United States. The number of ordinary policies in force has nearly doubled in the past 25 years, while the average size policy in force is more than four times as large.

Group life insurance provided $1,579.4 billion of protection at the end of 1980, an increase of $159.9 billion during the year. Most group life insurance contracts are issued to employers, though many are issued to unions, professional associations and other groups. Employees or members receive certificates to denote their participation in the group coverage. Growth of this type of protection has been significant. In 1950, group insurance accounted for 20.4% of all insurance in force and by 1980, the ratio had reached 44.6%.

Industrial life insurance is the type which is issued in small amounts, usually with premiums collected weekly or monthly at the policyholder's home. Industrial life decreased slightly to a total of $36.0 billion in force at year-end 1980.

# Life Insurance In Force In the United States by State 1980

*(Thousands of Policies and Millions of Dollars)*

| | Ordinary | | Group | | Industrial | | Credit | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| State | No. | Amount | Cert. | Amount | No. | Amount | No.* | Amount | No. | Amount |
| Alabama ........ | 2,201 | $ 28,284 | 1,811 | $ 20,995 | 6,651 | $ 2,756 | 1,668 | $ 3,448 | 12,331 | $ 55,483 |
| Alaska .......... | 138 | 3,099 | 306 | 4,092 | 10 | 3 | 161 | 227 | 615 | 7,421 |
| Arizona ......... | 1,639 | 22,096 | 1,434 | 13,587 | 179 | 131 | 1,615 | 2,570 | 4,867 | 38,384 |
| Arkansas ....... | 1,043 | 12,987 | 790 | 9,601 | 391 | 218 | 553 | 1,513 | 2,777 | 24,319 |
| California ....... | 10,812 | 178,036 | 12,108 | 164,020 | 1,705 | 1,218 | 6,074 | 12,103 | 30,699 | 355,377 |
| Colorado ....... | 1,838 | 27,941 | 1,711 | 21,362 | 238 | 161 | 1,086 | 2,626 | 4,873 | 52,090 |
| Connecticut .... | 2,358 | 28,662 | 2,140 | 31,410 | 239 | 203 | 1,171 | 2,191 | 5,908 | 62,466 |
| Delaware ....... | 477 | 5,016 | 390 | 7,206 | 210 | 146 | 521 | 624 | 1,598 | 12,992 |
| D.C. ............ | 422 | 4,968 | 1,259 | 16,463 | 459 | 276 | 364 | 535 | 2,504 | 22,242 |
| Florida ......... | 5,759 | 71,396 | 3,863 | 47,166 | 3,352 | 2,335 | 3,467 | 6,933 | 16,441 | 127,830 |
| Georgia ........ | 3,923 | 44,842 | 2,706 | 36,079 | 3,721 | 2,462 | 2,464 | 4,824 | 12,814 | 88,207 |
| Hawaii .......... | 612 | 10,347 | 746 | 7,457 | 5 | 2 | 408 | 986 | 1,771 | 18,792 |
| Idaho ........... | 522 | 6,952 | 527 | 4,842 | 23 | 15 | 287 | 801 | 1,359 | 12,610 |
| Illinois .......... | 9,253 | 103,136 | 6,824 | 95,166 | 2,827 | 1,996 | 3,294 | 7,408 | 22,198 | 207,706 |
| Indiana ......... | 4,230 | 44,183 | 2,786 | 38,010 | 1,475 | 978 | 1,814 | 4,339 | 10,305 | 87,510 |
| Iowa ............ | 2,593 | 28,001 | 1,467 | 17,617 | 210 | 129 | 753 | 2,291 | 5,023 | 48,038 |
| Kansas ......... | 1,915 | 22,916 | 1,219 | 13,745 | 288 | 179 | 831 | 2,051 | 4,253 | 38,891 |
| Kentucky ....... | 2,352 | 22,376 | 1,400 | 18,601 | 1,252 | 706 | 1,320 | 2,695 | 6,324 | 44,378 |
| Louisiana ....... | 2,388 | 33,734 | 2,112 | 23,712 | 3,535 | 2,096 | 1,766 | 3,786 | 9,801 | 63,328 |
| Maine .......... | 711 | 7,020 | 590 | 5,728 | 69 | 52 | 422 | 798 | 1,792 | 13,598 |
| Maryland ....... | 2,964 | 34,607 | 1,935 | 27,699 | 1,638 | 965 | 1,389 | 2,938 | 7,926 | 66,229 |
| Massachusetts .. | 3,869 | 41,756 | 2,934 | 43,997 | 663 | 469 | 1,685 | 3,049 | 9,151 | 89,271 |
| Michigan ....... | 5,544 | 60,406 | 6,277 | 95,268 | 1,755 | 1,169 | 3,135 | 6,477 | 16,711 | 163,320 |
| Minnesota ...... | 2,577 | 33,288 | 2,674 | 32,258 | 213 | 145 | 1,074 | 2,490 | 6,538 | 68,181 |
| Mississippi ...... | 1,007 | 14,247 | 1,011 | 10,704 | 748 | 448 | 1,310 | 2,401 | 4,076 | 27,800 |
| Missouri ........ | 3,717 | 37,474 | 2,510 | 33,891 | 1,093 | 696 | 1,413 | 3,154 | 8,733 | 75,215 |
| Montana ........ | 445 | 6,125 | 395 | 3,468 | 22 | 12 | 278 | 695 | 1,140 | 10,300 |
| Nebraska ....... | 1,425 | 16,750 | 758 | 9,048 | 109 | 68 | 452 | 1,187 | 2,744 | 27,053 |
| Nevada ......... | 326 | 5,427 | 504 | 6,431 | 10 | 7 | 644 | 2,254 | 1,484 | 14,119 |
| New Hampshire . | 693 | 7,565 | 489 | 5,890 | 81 | 66 | 345 | 734 | 1,608 | 14,255 |
| New Jersey ..... | 5,389 | 64,055 | 3,723 | 64,953 | 1,257 | 1,080 | 1,867 | 4,244 | 12,236 | 134,332 |
| New Mexico ..... | 607 | 8,324 | 589 | 7,543 | 86 | 55 | 599 | 1,211 | 1,881 | 17,133 |
| New York ....... | 10,916 | 126,788 | 8,131 | 141,463 | 1,657 | 1,214 | 6,184 | 11,586 | 26,888 | 281,051 |
| North Carolina .. | 4,396 | 42,395 | 2,570 | 34,069 | 2,997 | 1,626 | 2,615 | 4,832 | 12,578 | 82,922 |
| North Dakota ... | 469 | 6,325 | 335 | 3,425 | 4 | 3 | 232 | 730 | 1,040 | 10 483 |
| Ohio ........... | 8,249 | 87,897 | 5,763 | 82,136 | 2,903 | 1,999 | 3,602 | 8,300 | 20,517 | 180,332 |
| Oklahoma ...... | 1,780 | 23,760 | 1,250 | 16,580 | 352 | 217 | 1,001 | 2,278 | 4,383 | 42,835 |
| Oregon ......... | 1,202 | 17,544 | 1,434 | 19,013 | 75 | 48 | 682 | 1,595 | 3,393 | 38,200 |
| Pennsylvania .... | 9,903 | 91,410 | 6,037 | 81,095 | 3,839 | 2,613 | 4,156 | 9,313 | 23,935 | 184,431 |
| Rhode Island .... | 773 | 8,141 | 745 | 7,210 | 147 | 102 | 286 | 492 | 1,951 | 15,945 |
| South Carolina .. | 2,658 | 22,080 | 1,621 | 17,259 | 2,298 | 1,410 | 1,204 | 2,271 | 7,781 | 43,020 |
| South Dakota ... | 544 | 6,330 | 271 | 2,841 | 4 | 3 | 210 | 589 | 1,029 | 9,763 |
| Tennessee ...... | 2,837 | 32,109 | 2,574 | 29,011 | 2,227 | 1,281 | 1,842 | 4,271 | 9,480 | 66,672 |
| Texas .......... | 8,866 | 121,671 | 6,992 | 89,427 | 3,165 | 2,038 | 6,184 | 13,012 | 25,207 | 226,148 |
| Utah ............ | 698 | 10,617 | 947 | 6,941 | 85 | 45 | 470 | 1,284 | 2,200 | 18,887 |
| Vermont ........ | 354 | 3,682 | 241 | 2,606 | 30 | 23 | 192 | 349 | 817 | 6,660 |
| Virginia ......... | 3,582 | 41,251 | 2,552 | 37,048 | 2,304 | 1,375 | 2,168 | 3,619 | 10,606 | 83,293 |
| Washington ..... | 1,980 | 29,637 | 2,282 | 26,938 | 145 | 85 | 1,115 | 2,249 | 5,522 | 58,909 |
| West Virginia .... | 1,062 | 10,401 | 883 | 10,441 | 536 | 339 | 826 | 1,699 | 3,307 | 22,880 |
| Wisconsin ...... | 3,418 | 38,493 | 2,921 | 31,212 | 421 | 307 | 1,075 | 2,747 | 7,835 | 72,759 |
| Wyoming ....... | 275 | 3,927 | 225 | 2,631 | 4 | 4 | 172 | 416 | 676 | 6,978 |
| Total U.S. ..... | 147,711 | $1,760,474 | 117,762 | $1,579,355 | 57,707 | $35,994 | 78,446 | $165,215 | 401,626 | $3,541,038 |

Note: "Credit" is limited to life insurance on loans of 10 years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than 10 years' duration.

*Includes group credit certificates.

*Source: American Council of Life Insurance.*

## Life Insurance In Force in the United States by Type and Geographic Division 1980 *(000,000 Omitted)*

| Division | Ordinary | Group | Industrial | Credit | Total |
|---|---|---|---|---|---|
| New England | $ 96,826 | $ 96,841 | $ 915 | $ 7,613 | $ 202,195 |
| Middle Atlantic | 282,253 | 287,511 | 4,907 | 25,143 | 599,814 |
| East North Central | 334,115 | 341,792 | 6,449 | 29,271 | 711,627 |
| West North Central | 151,084 | 112,825 | 1,223 | 12,492 | 277,624 |
| South Atlantic | 276,956 | 233,430 | 10,954 | 28,275 | 549,615 |
| East South Central | 97,016 | 79,311 | 5,191 | 12,815 | 194,333 |
| West South Central | 192,152 | 139,320 | 4,569 | 20,589 | 356,630 |
| Mountain | 91,409 | 66,805 | 430 | 11,857 | 170,501 |
| Pacific | 238,663 | 221,520 | 1,356 | 17,160 | 478,699 |
| United States | $1,760,474 | $1,579,355 | $35,994 | $165,215 | $3,541,038 |

Note: "Credit" is limited to life insurance on loans of 10 years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than 10 years' duration.

*Source: American Council of Life Insurance.*

Credit life is another type of life insurance, designed to pay the balance of loans (of 10 years' or less duration) if the borrower should die before repaying the amount due. A total of $165.2 billion of credit life insurance was in force at year-end 1980.

A study of U.S. legal reserve life insurance companies found that the five largest companies, each with assets of $10 billion or more as of 1970, represented 30% of the life insurance in force at the end of 1980 and 24% of the ordinary life insurance in force. Companies with asset rankings from $1 billion to $9 billion as of 1970 accounted for 23% of the total life insurance in force and 23% of the ordinary in force in 1980.

Participating insurance accounted for $2,208.5 billion, or 55%, of all life insurance in force with U.S. companies at the end of 1980. With this type of life insurance a policyholder receives, in the form of annual dividends, the portion of the premiums that is not needed by the company for death payments to beneficiaries, additions to reserves or administrative expenses. The remaining $1,821.4 billion, or 45%, of life insurance in force was nonparticipating, which has generally lower premium rates but does not provide for policy dividends. Participating life insurance accounted for 53% and nonparticipating, 47% of total ordinary insurance in force in U.S. companies.

Mutual life insurance companies, which have no stockholders, and whose boards of directors are elected by their policyholders, provided $1,923.7 billion, or 48% of total life insurance in force with U.S. life companies at the end of 1980. Stock life insurance companies, which are owned by their stockholders, accounted for $2,106.2 billion, or 52% of total life insurance in force at the end of 1980. In general, mutual companies sell participating insurance, and stock companies sell nonparticipating insurance. Mutual companies accounted for 55% of total group life. Stock life companies provided 68% of the total industrial life insurance in force, and they also accounted for 77% of credit life in force.

The data in this chapter do not include life insurance in force in the United States issued by other private insurers, including fraternal societies, and by the Federal government. The total life insurance in force, including that issued by these other sources, amounted to over $3.6 trillion at the end of 1980. If this

## Life Insurance in Force in the United States by Plan

| | 1974 | | | 1977 | | |
|---|---|---|---|---|---|---|
| Plan of Insurance | Number of Policies* (000 Omitted) | Amount (000,000 Omitted) | % of Amount | Number of Policies* (000 Omitted) | Amount (000,000 Omitted) | % of Amount |
| **ORDINARY** | | | | | | |
| Whole Life | | | | | | |
| Straight Life, Premium Paying | 54,500 | $ 496,600 | 49.2 | 60,300 | $ 616,900 | 47.8 |
| Limited Payment Life, Premium Paying | 28,700 | 100,200 | 9.9 | 28,300 | 123,500 | 9.6 |
| Paid-Up | 19,500 | 39,700 | 3.9 | 20,200 | 45,200 | 3.5 |
| Endowment | 11,900 | 43,000 | 4.3 | 11,900 | 52,200 | 4.1 |
| Retirement Income With Insurance | 2,400 | 17,500 | 1.7 | 2,400 | 21,700 | 1.7 |
| Term | | | | | | |
| Extended | 5,000 | 16,700 | 1.6 | 5,600 | 20,700 | 1.6 |
| Regular | | | | | | |
| Decreasing | 5,400 | 89,400 | 8.9 | 6,100 | 114,800 | 8.9 |
| Other | 3,800 | 83,300 | 8.3 | 4,700 | 147,400 | 11.4 |
| Other | | | | | | |
| Decreasing | — | 68,200 | 6.8 | — | 79,600 | 6.2 |
| Other | — | 54,400 | 5.4 | — | 67,300 | 5.2 |
| Total Ordinary | 131,200 | $1,009,000 | 100.0 | 139,500 | $1,289,300 | 100.0 |
| **GROUP** | | | | | | |
| Term | | | | | | |
| Decreasing | 1,700 | $ 27,300 | 3.3 | 2,000 | $ 35,600 | 3.2 |
| Other | 90,200 | 793,600 | 95.9 | 102,000 | 1,071,800 | 96.1 |
| Permanent | | | | | | |
| Whole Life | | | | | | |
| Premium Paying | 1,100 | 5,200 | .6 | 1,100 | 6,200 | .6 |
| Paid-Up | 500 | 1,000 | .1 | 500 | 1,100 | .1 |
| Endowment | † | 100 | †† | † | 100 | †† |
| Retirement Income | 100 | 400 | .1 | † | 300 | †† |
| Total Group | 93,600 | $ 827,600 | 100.0 | 105,600 | $1,115,100 | 100.0 |
| **INDUSTRIAL** | | | | | | |
| Whole Life | | | | | | |
| Straight Life, Premium Paying | 9,200 | $ 5,400 | 13.7 | 9,100 | $ 6,100 | 15.6 |
| Limited Payment Life, Premium Paying | 23,800 | 15,300 | 38.8 | 19,400 | 13,400 | 34.4 |
| Paid-Up | 27,700 | 12,400 | 31.5 | 27,300 | 13,200 | 33.8 |
| Endowment | 6,200 | 2,900 | 7.4 | 4,900 | 2,400 | 6.1 |
| Term | | | | | | |
| Extended | 4,500 | 2,700 | 6.8 | 5,000 | 3,200 | 8.2 |
| Regular | | | | | | |
| Decreasing | — | — | — | † | ‡ | †† |
| Other | † | ‡ | †† | 100 | 100 | .3 |
| Other | | | | | | |
| Decreasing | — | 100 | .3 | — | 100 | .3 |
| Other | — | 600 | 1.5 | — | 500 | 1.3 |
| Total Industrial | 71,400 | $ 39,400 | 100.0 | 65,800 | $ 39,000 | 100.0 |
| CREDIT (Term) | 83,800 | $ 109,600 | — | 79,300 | $ 139,400 | — |
| TOTAL LIFE INSURANCE IN FORCE | 380,000 | $1,985,600 | — | 390,200 | $2,582,800 | — |

Note: "Ordinary" and "Group" include credit life insurance on loans of more than 10 years' duration. "Credit" is limited to life insurance on loans of 10 years' or less duration. In 1977, there were 2,293,000 ordinary policies in force under reduced paid-up options which totaled $3,973,000,000. For reporting purposes, the basic portion of combination plans is listed under the appropriate plan while the additional term portion, by rider or otherwise, is listed under term plans.

*Includes group certificates. †Less than 50,000. ††Less than .05%. ‡Less than $50,000,000.

*Source: American Council of Life Insurance.*

amount were divided equally among American families, each would have $42,700 of coverage. Some 153 million people were insured by some form of life insurance at year-end 1980.

A survey of life insurance in force by plan at year-end 1977 (the latest year for which data are available) showed that within ordinary insurance ownership, whole life policies accounted for the highest proportion of the amount in force. The size of the average whole life policy in force has increased since 1974 by 16.5%, reaching $7,220 in 1977. However, as a percentage of total ordinary in force, whole life declined from 63.0% in 1974 to 60.9% in 1977. Endowment and retirement income policies also declined, accounting for 5.8% of the ordinary in force in 1977, compared with 6.0% in 1974. During the same time period, ordinary term plans increased as a share of the total, from 30.9% to 33.3%. A 3.1 percentage point increase in the proportion of level term plans caused the greatest impact on the growth over the three-year period. Term riders and term portions of combination plans together showed a slight decline, from 12.2% of the ordinary in force in 1974 to 11.4% in 1977.

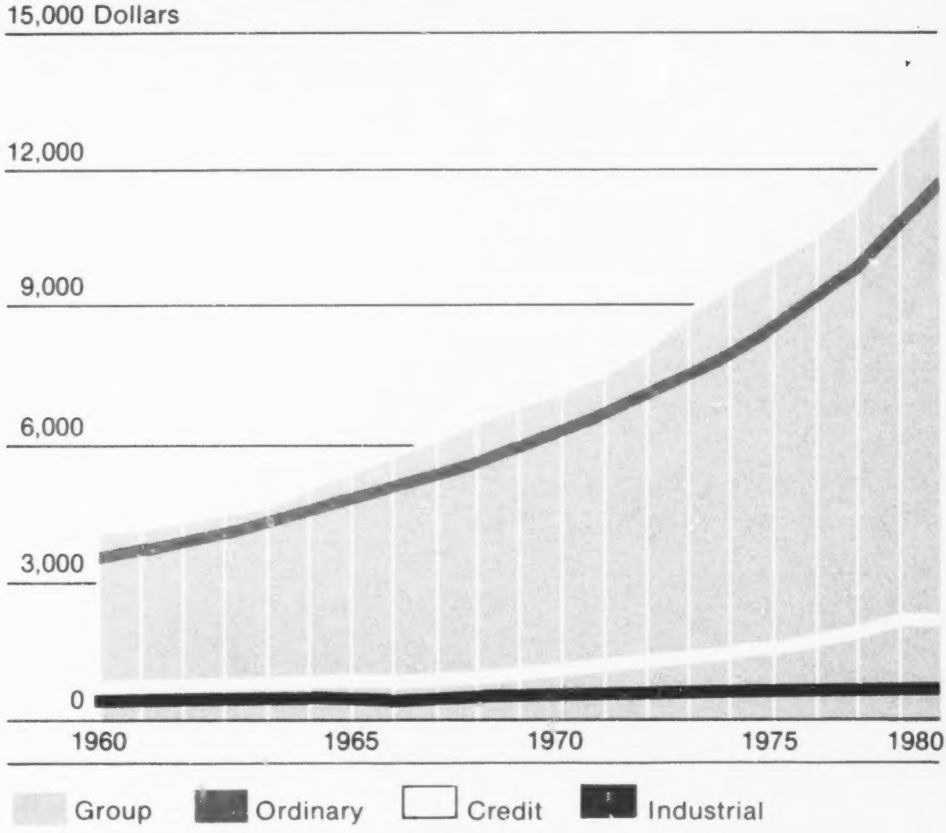
## Average Size Life Insurance Policy In Force in the United States

| Year | Ordinary | Group | Industrial | Credit |
|---|---|---|---|---|
| 1920 | $ 1,990 | $ 960 | $150 | $ 200 |
| 1930 | 2,460 | 1,700 | 210 | 200 |
| 1940 | 2,130 | 1,700 | 240 | 150 |
| 1950 | 2,320 | 2,480 | 310 | 360 |
| 1960 | 3,600 | 4,030 | 390 | 680 |
| 1965 | 4,660 | 5,060 | 450 | 850 |
| 1966 | 4,940 | 5,360 | 450 | 840 |
| 1967 | 5,150 | 5,730 | 470 | 870 |
| 1968 | 5,450 | 6,070 | 480 | 910 |
| 1969 | 5,770 | 6,470 | 490 | 950 |
| 1970 | 6,110 | 6,910 | 500 | 1,000 |
| 1971 | 6,440 | 7,170 | 520 | 1,080 |
| 1972 | 6,790 | 7,530 | 530 | 1,190 |
| 1973 | 7,230 | 8,010 | 540 | 1,300 |
| 1974 | 7,690 | 8,840 | 550 | 1,310 |
| 1975 | 8,090 | 9,360 | 570 | 1,410 |
| 1976 | 8,610 | 10,010 | 580 | 1,580 |
| 1977 | 9,240 | 10,550 | 590 | 1,760 |
| 1978 | 10,010 | 11,260 | 600 | 1,950 |
| 1979 | 10,890 | 12,350 | 610 | 2,120 |
| 1980 | 11,920 | 13,410 | 620 | 2,110 |

Note: "Credit" is limited to life insurance on loans of 10 years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than 10 years' duration.

*Sources:* Spectator Year Book *and American Council of Life Insurance.*

## Average Size Life Insurance Policy In Force in the United States



## Life Insurance and Disposable Personal Income Per Family in the United States

| Year | Life Insurance Per Insured Family | Life Insurance Per Family | Disposable Personal Income Per Family | Year | Life Insurance Per Insured Family | Life Insurance Per Family | Disposable Personal Income Per Family |
|---|---|---|---|---|---|---|---|
| 1930 ..... | N.A. | $ 2,800 | $2,500 | 1968 ..... | $21,500 | $18,300 | $ 9,200 |
| 1935 ..... | N.A. | 2,400 | 1,600 | 1969 ..... | 22,800 | 19,400 | 9,700 |
| 1940 ..... | N.A. | 2,700 | 1,700 | 1970 ..... | 24,400 | 20,700 | 10,300 |
| 1945 ..... | $ 5,200 | 3,200 | 3,200 | 1971 ..... | 25,500 | 21,700 | 10,800 |
| 1950 ..... | 6,000 | 4,600 | 4,100 | 1972 ..... | 26,900 | 22,900 | 11,400 |
| 1955 ..... | 8,700 | 6,900 | 5,100 | 1973 ..... | 28,800 | 24,400 | 12,600 |
| 1960 ..... | 12,700 | 10,200 | 6,100 | 1974 ..... | 31,200 | 26,500 | 13,300 |
| 1961 ..... | 13,500 | 10,800 | 6,300 | 1975 ..... | 33,000 | 28,100 | 14,400 |
| 1962 ..... | 14,300 | 11,400 | 6,500 | 1976 ..... | 35,000 | 30,100 | 15,300 |
| 1963 ..... | 15,300 | 12,200 | 6,800 | 1977 ..... | 37,700 | 32,400 | 16,500 |
| 1964 ..... | 16,400 | 13,300 | 7,300 | 1978 ..... | 40,800 | 35,100 | 17,900 |
| 1965 ..... | 17,800 | 14,600 | 7,700 | 1979 ..... | 44,800 | 38,500 | 19,600 |
| 1966 ..... | 19,000 | 15,800 | 8,200 | 1980 ..... | 48,300 | 41,500 | 21,400 |
| 1967 ..... | 20,300 | 17,100 | 8,700 | | | | |

Note: Data are revised. "Families" here include the units defined by the Bureau of the Census as families, subfamilies and unrelated individuals; these numbered 85,307,000 in 1980. The average amounts shown above are arithmetic means.

N.A. = Not available.

*Sources:* Spectator Year Book, *American Council of Life Insurance, Life Insurance Marketing and Research Association and U.S. Department of Commerce.*

## Average Amount of Life Insurance In Force Per Family by State and by Region 1980

| State | Amount | State | Amount | Region | Amount |
|---|---|---|---|---|---|
| Alabama | $39,500 | Montana | $34,900 | North East | $43,200 |
| Alaska | 50,100 | Nebraska | 45,500 | New England | 44,300 |
| Arizona | 38,200 | Nevada | 43,600 | Middle Atlantic | 42,900 |
| Arkansas | 28,300 | New Hampshire | 42,100 | | |
| California | 37,000 | New Jersey | 49,300 | | |
| Colorado | 46,700 | New Mexico | 38,500 | North Central | 45,600 |
| Connecticut | 55,100 | New York | 41,200 | E. N. Central | 46,800 |
| Delaware | 59,600 | North Carolina | 38,500 | W. N. Central | 42,900 |
| D.C. | 73,200 | North Dakota | 45,200 | | |
| Florida | 32,100 | Ohio | 45,800 | South | 39,100 |
| Georgia | 44,200 | Oklahoma | 36,100 | South Atlantic | 39,100 |
| Hawaii | 53,100 | Oregon | 36,700 | E. S. Central | 36,600 |
| Idaho | 37,000 | Pennsylvania | 41,500 | W. S. Central | 40,700 |
| Illinois | 48,500 | Rhode Island | 44,900 | | |
| Indiana | 43,800 | South Carolina | 39,600 | West | 38,300 |
| Iowa | 44,200 | South Dakota | 39,100 | Mountain | 40,700 |
| Kansas | 42,600 | Tennessee | 39,500 | Pacific | 37,500 |
| Kentucky | 33,000 | Texas | 43,200 | | |
| Louisiana | 43,100 | Utah | 38,400 | United States | 41,500 |
| Maine | 32,400 | Vermont | 35,800 | | |
| Maryland | 42,300 | Virginia | 41,300 | | |
| Massachusetts | 42,000 | Washington | 36,300 | | |
| Michigan | 49,400 | West Virginia | 31,500 | | |
| Minnesota | 45,900 | Wisconsin | 43,000 | | |
| Mississippi | 31,800 | Wyoming | 39,900 | | |
| Missouri | 39,500 | | | | |

Note: The average amounts per family are arithmetic means. "Family" includes primary families, subfamilies and unrelated individuals.

*Source: American Council of Life Insurance.*

## Life Insurance In Force In U.S. Life Insurance Companies *(000,000 Omitted)*

| Year | Number of Policies* | Amount | Year | Number of Policies* | Amount |
|---|---|---|---|---|---|
| 1900 | 14 | $ 8,562 | 1965 | 359 | $ 958,623 |
| 1905 | 22 | 13,364 | 1966 | 372 | 1,051,701 |
| 1910 | 30 | 16,404 | 1967 | 378 | 1,155,619 |
| 1915 | 43 | 22,777 | 1968 | 389 | 1,266,151 |
| 1920 | 68 | 42,281 | 1969 | 399 | 1,381,101 |
| 1925 | 101 | 71,690 | 1970 | 402 | 1,506,472 |
| 1930 | 128 | 107,948 | 1971 | 405 | 1,620,343 |
| 1935 | 124 | 100,730 | 1972 | 413 | 1,760,350 |
| 1940 | 137 | 117,794 | 1973 | 417 | 1,922,311 |
| 1945 | 167 | 155,723 | 1974 | 426 | 2,144,580 |
| 1950 | 210 | 242,018 | 1975 | 428 | 2,312,283 |
| 1955 | 266 | 389,081 | 1976 | 429 | 2,530,767 |
| 1960 | 308 | 618,189 | 1977 | 448 | 2,788,679 |
| 1961 | 316 | 665,628 | 1978 | 449 | 3,107,513 |
| 1962 | 323 | 715,435 | 1979 | 458 | 3,507,495 |
| 1963 | 334 | 775,265 | 1980 | 516 | 4,029,877 |
| 1964 | 346 | 850,090 | | | |

Note: Totals represent all life insurance in force with U.S. life companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded, which amounted to $485 billion in 1980) whether the policyholders are residents of the United States or of some other country. Figures include credit life insurance.

*Includes group certificates.

*Sources:* Spectator Year Book *and American Council of Life insurance.*

# Ordinary Life Insurance

Ordinary life insurance protection in the United States advanced to $1,760.5 billion at the end of 1980, an increase of 11.0% during the year and more than twice the amount in force at the end of 1970. Purchases during the year totaled $371.1 billion, an increase of $41.5 billion over the previous year.

Ordinary life is the most widely used form of life insurance protection. At year-end 1980, ordinary life accounted for 49.7% of all life insurance in force in the U.S. Ordinary life insurance is typically purchased through life insurance agents and issued under individual policies with face amounts of $1,000 or more, with $5,000 a common minimum. Ordinary life can be broken down into two basic types of protection, whole life (permanent) and term insurance.

Whole life insurance offers more than death protection. Unlike term policies, whole life insurance builds cash values that can help families meet financial

## Ordinary Life Insurance In Force

In the United States *(000,000 Omitted)*

| Year | No. of Policies | Amount | Year | No. of Policies | Amount |
|---|---|---|---|---|---|
| 1895 | 2 | $ 4,170 | 1964 | 104 | $ 457,868 |
| 1900 | 3 | 6,124 | 1965 | 107 | 499,638 |
| 1905 | 5 | 9,585 | 1966 | 109 | 541,022 |
| 1910 | 6 | 11,783 | 1967 | 113 | 584,570 |
| 1915 | 9 | 16,650 | 1968 | 116 | 633,392 |
| 1920 | 16 | 32,018 | 1969 | 118 | 682,453 |
| 1925 | 23 | 52,892 | 1970 | 120 | 734,730 |
| 1930 | 32 | 78,576 | 1971 | 123 | 792,318 |
| 1935 | 33 | 70,684 | 1972 | 126 | 853,911 |
| 1940 | 37 | 79,346 | 1973 | 128 | 928,192 |
| 1945 | 48 | 101,550 | 1974 | 131 | 1,009,038 |
| 1950 | 64 | 149,116 | 1975 | 134 | 1,083,421 |
| 1955 | 80 | 216,812 | 1976 | 137 | 1,177,672 |
| 1960 | 95 | 341,881 | 1977 | 139 | 1,289,321 |
| 1961 | 97 | 366,141 | 1978 | 142 | 1,425,095 |
| 1962 | 99 | 391,048 | 1979 | 146 | 1,585,878 |
| 1963 | 102 | 420,808 | 1980 | 148 | 1,760,474 |

In U.S. Life Insurance Companies *(000,000 Omitted)*

| Year | No. of Policies | Amount | Year | No. of Policies | Amount |
|---|---|---|---|---|---|
| 1900 | 3 | $ 7,093 | 1965 | 111 | $ 522,694 |
| 1905 | 5 | 11,054 | 1966 | 114 | 568,025 |
| 1910 | 7 | 13,227 | 1967 | 118 | 615,671 |
| 1915 | 10 | 18,249 | 1968 | 121 | 667,532 |
| 1920 | 16 | 33,451 | 1969 | 123 | 721,236 |
| 1925 | 24 | 54,549 | 1970 | 125 | 777,163 |
| 1930 | 33 | 79,729 | 1971 | 128 | 839,767 |
| 1935 | 33 | 71,937 | 1972 | 131 | 906,255 |
| 1940 | 39 | 81,006 | 1973 | 134 | 983,388 |
| 1945 | 49 | 104,355 | 1974 | 137 | 1,071,369 |
| 1950 | 66 | 154,394 | 1975 | 140 | 1,153,160 |
| 1955 | 83 | 225,554 | 1976 | 143 | 1,257,738 |
| 1960 | 99 | 355,608 | 1977 | 147 | 1,382,356 |
| 1961 | 101 | 381,061 | 1978 | 151 | 1,535,982 |
| 1962 | 103 | 407,777 | 1979 | 156 | 1,722,106 |
| 1963 | 105 | 439,147 | 1980 | 214 | 2,060,513 |
| 1964 | 108 | 478,334 | | | |

**Note: Data include individual credit life insurance on loans of more than 10 years' duration. Totals for "In the United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Totals for "In U.S. Life Insurance Companies" represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded) whether the policyholders are residents of the United States or of some other country.**

***Sources:*** **Spectator Year Book** ***and American Council of Life Insurance.***

emergencies, pay for special goals or provide income for retirement years.

Cash values of life insurance policies are a by-product of the level premium system of whole life insurance. As the mortality rate increases with age, the cost of life insurance increases. However, under the level premium approach, the annual premium remains the same, despite the increasing risk of death.

Although the premium charged in the earlier years is higher than the actual cost of the insurance, in later years it is substantially lower than the actual cost of protection. The excess amount of each premium in the early years is held in reserve, which along with interest earned and future level premiums, assures that funds will be available to cover the increasing risk of death as the policyholder grows older. The policyholder who decides to give up the protection by

## Mass-Marketed Ordinary Life Insurance In Force by Type And by Size of Insured Group 1978

| | Number of Groups | Number of Members* | Insurance in Force | | Average Amount of Insurance Per Member |
|---|---|---|---|---|---|
| | | | Amount | % of Amount | |
| Type of Group | | | | | |
| Related to Employment or Occupation | | | | | |
| Employer-Employee | 40,780 | 541,000 | $ 3,259,000,000 | 23.1 | $ 6,024 |
| Union and Joint Employer-Union | 20 | 2,000 | 16,000,000 | .1 | 8,000 |
| Professional Society | 240 | 277,000 | 3,364,000,000 | 23.8 | 12,144 |
| Employee Association | 290 | 202,000 | 2,069,000,000 | 14.7 | 10,243 |
| Other—Related to Employee Benefit Program | 10 | 19,000 | 165,000,000 | 1.2 | 8,684 |
| Other—Not Related to Employee Benefit Program | † | †† | ††† | ** | *** |
| Total | 41,340 | 1,041,000 | $ 8,873,000,000 | 62.9 | 8,524 |
| Not Related to Employment or Occupation | | | | | |
| Fraternal Society | 40 | 46,000 | $ 208,000,000 | 1.5 | 4,522 |
| Savings or Investment Group | 50 | 47,000 | 104,000,000 | .7 | 2,213 |
| Credit Card Holders | 10 | 237,000 | 2,046,000,000 | 14.5 | 8,633 |
| Mortgage Insurance | 390 | 77,000 | 872,000,000 | 6.2 | 11,325 |
| Students | 380 | 122,000 | 834,000,000 | 5.9 | 6,836 |
| Credit Unions | 2,460 | 66,000 | 575,000,000 | 4.1 | 8,712 |
| Other | 2,930 | 137,000 | 593,000,000 | 4.2 | 4,328 |
| Total | 6,260 | 732,000 | $ 5,232,000,000 | 37.1 | 7,148 |
| Total All Groups | 47,600 | 1,773,000 | $14,105,000,000 | 100.0 | 7,955 |
| Size of Group | | | | | |
| Fewer than 10 Members | 44,920 | 311,000 | $ 1,529,000,000 | 10.9 | 4,916 |
| 10-24 Members | 1,230 | 25,000 | 212,000,000 | 1.5 | 8,400 |
| 25-99 Members | 870 | 77,000 | 583,000,000 | 4.1 | 7,571 |
| 100-499 Members | 390 | 152,000 | 1,229,000,000 | 8.7 | 8,086 |
| 500 or More Members | 190 | 1,208,000 | 10,552,000,000 | 74.8 | 8,735 |
| Total All Groups | 47,600 | 1,773,000 | $14,105,000,000 | 100.0 | 7,955 |

Note: Data by type of group are estimated on the basis of reports from life insurance companies having 93% of the total amount of mass-marketed ordinary life insurance in force in the United States (excluding credit life) at year-end 1978; and data by size of group are estimated from companies having 76%.

*Includes duplication where individuals are included in more than one group.

†Fewer than 5. ††Fewer than 500. †††Less than $500,000.

**Less than .05%.

***Not calculated for fewer than 500 members.

*Source: American Council of Life Insurance* surrendering the policy is entitled to a share of the company's reserves. The measure of this share is the cash value.

Term insurance policies offer protection only and do not build up cash values. The premiums are lower than whole life policies of the same amounts, but increase with each renewal of the term policy, reflecting higher mortality rates at older ages.

Surveys of life insurance in force by plan show that among ordinary insurance, permanent policies account for the highest proportion, 66.7% in 1977. Term insurance, including the term portion of combination plans, is an increasing proportion of all ordinary insurance, rising from 30.9% in 1974 to 33.3% in 1977.

One form of ordinary life insurance that has come into wider use in recent years is mass-marketed, wholesale insurance. It is sold on an individual basis to members of a group, usually as term life insurance policies with automatic renewal provisions. (In contrast, group life insurance is issued in the form of a master policy, under which certificates are issued to the individuals covered.) At year-end 1980, $20.0 billion of mass-marketed wholesale ordinary life was in force in the United States. New issues of mass-marketed ordinary that year amounted to $4.7 billion.

A survey of mass-marketed ordinary life insurance in force at year-end 1978 shows that coverage of employer-employee and professional society groups accounted for 46.9% of the total amount of mass-marketed ordinary in force. The average amount of insurance for all employees with coverage related to employment or occupation was $8,524.

For policyholders with coverage not related to employment or occupation, the average amount of coverage was $7,955. Credit card holders accounted for 14.5% of the amount in force, while policyholders with mortgage insurance and students accounted for an additional 12.1%.

Several innovative forms of ordinary life insurance have been introduced in recent years, among them variable adjustable and variable premium life.

The assets underlying benefits of variable life insurance are held in separate accounts invested primarily in equity-type securities. The death payment increases or decreases depending on investment results, but there is a guaranteed minimum death benefit.

By the end of 1980, over $965.5 million of variable life insurance was in force in U.S. companies. Over $647.2 million was purchased in 1980. Sale of this form is specifically authorized in all states except Montana and the District of Columbia.

Adjustable life insurance allows an individual to switch protection from term insurance to whole life and back again, as needs change. The adjustable life policy is flexible; its holder can, within limits, raise or lower the face amount of the policy, increase or decrease the premium, and lengthen or shorten the protection period.

Variable premium life is another new "inflation-era" whole life type of protection. As inflation rises, driving interest rates higher and increasing investment income, the premiums decrease.

Ordinary life is principally used for family protection but it is also widely used for business purposes. Life insurance may be used by a business to protect against the economic loss to the firm that would be caused by the death of the owner or of a key employee.

# Group Life Insurance

At the end of 1980 group life insurance in the United States totaled $1,579.4 billion. This amount represented an 11.3% increase during the year and is nearly triple the amount at the end of 1970. Group protection amounted to 44.6% of life insurance in force in the United States at the end of 1980.

Group life insurance set up under new or revised group contracts in the United States during 1980 totaled $170.2 billion. Nearly one-half of the group life purchased during 1980 was issued under new master contracts. The rest represented increases under existing contracts to cover additional groups of employees or to provide higher benefit levels. Group life insurance is a near universal employee benefit in the United States.

## Group Life Insurance In Force

In the United States *(000 Omitted)*

| Year | No. of Master Policies | No. of Certificates | Amount | Year | No. of Master Policies | No. of Certificates | Amount |
|---|---|---|---|---|---|---|---|
| 1912 ..... | * | 12 | $ 13,000 | 1966 ..... | 249 | 64,594 | $ 345,945,000 |
| 1915 ..... | * | 120 | 100,000 | 1967 ..... | 261 | 68,818 | 394,501,000 |
| 1920 ..... | 6 | 1,600 | 1,570,000 | 1968 ..... | 275 | 72,895 | 442,778,000 |
| 1925 ..... | 12 | 3,200 | 4,247,000 | 1969 ..... | 290 | 75,527 | 488,864,000 |
| 1930 ..... | 19 | 5,800 | 9,801,000 | 1970 ..... | 304 | 79,844 | 551,357,000 |
| 1935 ..... | 18 | 6,400 | 10,208,000 | 1971 ..... | 312 | 82,320 | 589,883,000 |
| 1940 ..... | 23 | 8,800 | 14,938,000 | 1972 ..... | 326 | 85,102 | 640,689,000 |
| 1945 ..... | 31 | 11,500 | 22,172,000 | 1973 ..... | 338 | 88,385 | 708,322,000 |
| 1950 ..... | 56 | 19,288 | 47,793,000 | 1974 ..... | 359 | 93,567 | 827,018,000 |
| 1955 ..... | 89 | 31,649 | 101,345,000 | 1975 ..... | 378 | 96,693 | 904,695,000 |
| 1960 ..... | 169 | 43,602 | 175,903,000 | 1976 ..... | 404 | 100,138 | 1,002,647,000 |
| 1961 ..... | 180 | 46,262 | 192,794,000 | 1977 ..... | 437 | 105,649 | 1,115,047,000 |
| 1962 ..... | 193 | 48,568 | 209,950,000 | 1978 ..... | 495 | 110,445 | 1,243,994,000 |
| 1963 ..... | 203 | 51,062 | 229,477,000 | 1979 ..... | 559 | 114,893 | 1,419,418,000 |
| 1964 ..... | 219 | 54,695 | 253,620,000 | 1980 ..... | 586 | 117,762 | 1,579,355,000 |
| 1965 ..... | 234 | 60,930 | 308,078,000 | | | | |

In U.S. Life Insurance Companies *(000 Omitted)*

| Year | No. of Master Policies | No. of Certificates | Amount | Year | No. of Master Policies | No. of Certificates | Amount |
|---|---|---|---|---|---|---|---|
| 1912 ..... | * | 12 | $ 13,000 | 1968 ..... | 290 | 89,431 | $ 476,001,000 |
| 1915 ..... | * | 122 | 100,000 | 1969 ..... | 305 | 93,075 | 527,344,000 |
| 1920 ..... | 6 | 1,700 | 1,636,000 | 1970 ..... | 318 | 97,693 | 593,675,000 |
| 1925 ..... | 12 | 3,221 | 4,299,000 | 1971 ..... | 325 | 102,313 | 639,441,000 |
| 1930 ..... | 20 | 5,791 | 9,859,000 | 1972 ..... | 336 | 103,398 | 697,422,000 |
| 1935 ..... | 19 | 6,191 | 10,395,000 | 1973 ..... | 349 | 107,977 | 772,134,000 |
| 1940 ..... | 22 | 8,833 | 15,063,000 | 1974 ..... | 369 | 112,123 | 896,505,000 |
| 1945 ..... | 31 | 11,507 | 22,501,000 | 1975 ..... | 388 | 115,928 | 978,920,000 |
| 1950 ..... | 56 | 21,944 | 49,330,000 | 1976 ..... | 422 | 119,078 | 1,082,217,000 |
| 1955 ..... | 92 | 35,234 | 105,657,000 | 1977 ..... | 448 | 121,924 | 1,198,107,000 |
| 1960 ..... | 182 | 51,212 | 187,323,000 | 1978 ..... | 506 | 126,697 | 1,333,623,000 |
| 1965 ..... | 247 | 74,728 | 330,836,000 | 1979 ..... | 571 | 132,820 | 1,529,910,000 |
| 1966 ..... | 263 | 78,795 | 372,330,000 | 1980 ..... | 618 | 138,038 | 1,719,284,000 |
| 1967 ..... | 276 | 84,359 | 425,039,000 | | | | |

**Note: Data include group credit life insurance on loans of more than 10 years' duration. Totals for "In The United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Totals for "In U.S. Life Insurance Companies" represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded) whether the policyholders are residents of the United States or of some other country.**

***Fewer than 500 policies.**

***Sources:* Spectator Year Book *and American Council of Life Insurance.***

Many group life plans provide for coverage on the lives of dependents of group members. Many also extend employees' group protection after retirement, usually in reduced amounts. Coverage on dependents totaled $57.8 billion at the end of 1980.

One form of group insurance is group mortgage insurance issued through lending agencies. At year-end 1980, there was $33.3 billion dollars of group mortgage insurance in force in the United States.

A recent development in the area of group life insurance concerns survivor benefits. Benefits are normally described as a continuing monthly payment to the surviving spouse. Payments may extend for life or to the age at which Social Security retirement payments become available, but cease on remarriage. Contingent benefits to dependent children in the event of the spouse's death are also available. The initial value of these survivor benefits can range from three to 10 times an employee's annual salary. Group life insurance in force represented by these survivor benefits amounted to $33.6 billion at year-end 1980.

A survey of group life insurance in force at year-end 1978 shows that 91.7% of the master policies covered employer-employee groups, accounting for 87.8% of the total amount of group life insurance in force. The average coverage per employee was $16,753.

Plans administered by unions, or jointly by unions and employers, accounted for 1.1% of the master policies and 3.3% of the total amount of group insurance at the end of 1978, with coverage per employee averaging $5,175.

Professional societies, employee associations and other groups indirectly related to employment or occupation accounted for 0.5% of the master policies and 3.7% of the total group amount. Savings or investment groups accounted for 4.3% of the master policies.

## Employee and Dependent Coverage Under Group Life Insurance in the United States 1980

| | Number of Master Policies | Amount |
|---|---|---|
| PURCHASED DURING YEAR | | |
| Primary Coverage, Employee and Other | 140,260 | $155,371,000,000 |
| Survivor Benefit Coverage | N.A. | 1,719,000,000 |
| Dependent Coverage | 8,620* | 8,082,000,000 |
| Mortgage Insurance Issued Through a Lending Agency | 1,160 | 5,012,000,000 |
| Total | 141,420 | $170,184,000,000 |
| IN FORCE AT END OF YEAR | | |
| Primary Coverage, Employee and Other | 580,000 | $1,454,637,000,000 |
| Survivor Benefit Coverage | N.A. | 33,601,000,000 |
| Dependent Coverage | 42,550* | 57,775,000,000 |
| Mortgage Insurance Issued Through a Lending Agency | 5,530 | 33,342,000,000 |
| Total | 585,530 | $1,579,355,000,000 |

*These policies cover employees as well as dependents and are also included with employee master policies.

N.A. = Not available.

*Source: American Council of Life Insurance.*

## Group Life Insurance In Force By Type and By Size of Insured Group in the United States 1978

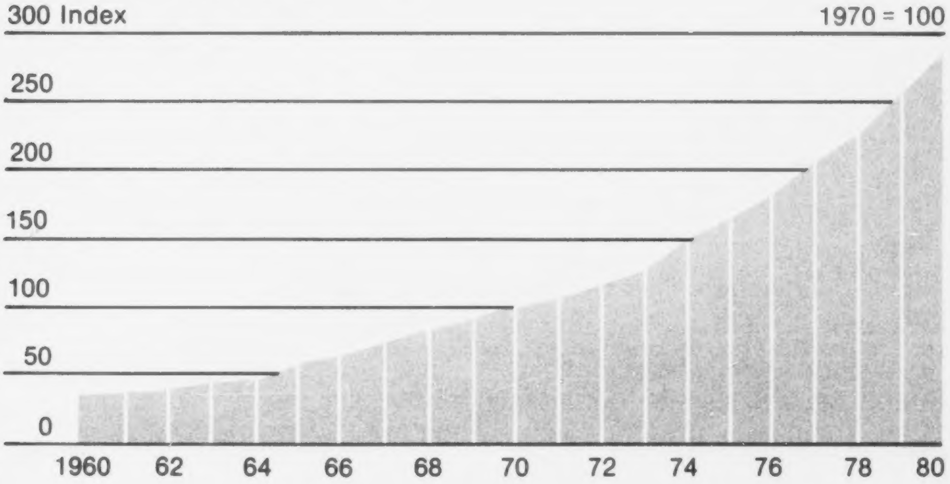
| | Master Policies | | Insurance In Force | | |
|---|---|---|---|---|---|
| | Number | % of Total | Amount *(000,000 Omitted)* | % of Total | Average Amount of Coverage Per Member |
| TYPE OF GROUP | | | | | |
| Related to Employment or Occupation | | | | | |
| Employer-Employee | 453,670 | 91.7 | $ 945,891 | 87.8 | $16,753 |
| Union and Joint Employer-Union | 5,250 | 1.1 | 35,209 | 3.3 | 5,175 |
| Professional Society | 960 | .2 | 18,458 | 1.7 | 28,052 |
| Employee Association | 1,730 | .3 | 19,911 | 1.8 | 13,703 |
| Other—Related to Employee Benefit Program | 3,290 | .7 | 7,933 | .7 | 11,497 |
| Other—Not Related to Employee Benefit Program | 130 | * | 2,095 | .2 | 22,287 |
| Total | 465,030 | 94.0 | 1,029,497 | 95.5 | 15,561 |
| Not Related to Employment or Occupation | | | | | |
| Fraternal Society | 340 | .1 | 2,517 | .2 | 12,460 |
| Savings or Investment Group | 21,380 | 4.3 | 17,764 | 1.7 | 633 |
| Group Mortgage Insurance | 5,720 | 1.1 | 24,780 | 2.3 | 17,512 |
| Other | 2,370 | .5 | 3,170 | .3 | 6,108 |
| Total | 29,810 | 6.0 | 48,231 | 4.5 | 1,597 |
| Total All Groups | 494,840 | 100.0 | $1,077,728 | 100.0 | $11,183 |
| SIZE OF GROUP | | | | | |
| Fewer Than 10 Members | 147,310 | 29.8 | $ 7,223 | .7 | $11,802 |
| 10- 24 Members | 136,400 | 27.6 | 25,816 | 2.4 | 11,837 |
| 25- 99 Members | 135,800 | 27.4 | 68,265 | 6.3 | 12,074 |
| 100-499 Members | 42,640 | 8.6 | 105,597 | 9.8 | 12,840 |
| 500 or More Members | 32,690 | 6.6 | 870,827 | 80.8 | 10,927 |
| Total All Groups | 494,840 | 100.0 | $1,077,728 | 100.0 | $11,183 |

Note: Data exclude dependent coverage, Federal Employees' Group Life Insurance, and Servicemen's Group Life insurance. Group credit life insurance on loans of over 10 years' duration is included.

*Less than .05%.

*Source: American Council of Life Insurance.*

## Growth of Group Life Insurance In the United States



# Industrial Life Insurance

Industrial life insurance policies are issued for small amounts, usually less than $1,000, and the premiums generally are paid weekly or monthly to an agent who calls at the policyholder's home. Some 9 out of 10 industrial policies in force have cash value elements.

Total industrial life insurance coverage in the United States was $36.0 billion at the end of 1980. This amount reflected a decrease of $1.8 billion during the year. The average size industrial life insurance policy in force was $620 in 1980.

Purchases of industrial life insurance in 1980 amounted to $3.3 billion, a decrease of $2.1 billion from the previous year's level.

Industrial insurance represented 1.0% of all legal reserve life insurance in force in the U.S. at the end of 1980, compared with 6.7% two decades before. This decline has been due largely to the economic gains of American workers, who need and now can buy more life insurance protection than industrial policies normally provide. The increased availability of group life insurance through one's employer has also been an important factor. On the other hand, industrial life insurance, as well as a sizable segment of ordinary life insurance which is on a debit basis, continues to serve a definite need of many lower income families.

*Home Service Life Insurance.* In recent years, industrial life insurance and monthly debit ordinary has come to be known as home service life insurance. Both of these types of policies are individual insurance serviced by agents who call at the policyholder's home to collect the premiums. (Monthly debit ordinary insurance is also included in the data on ordinary life insurance in this book.)

The volume of home service insurance in force has shown steady growth in recent years. Total coverage with U.S. life insurance companies amounted to $155.4 billion by year-end 1980, 3.9% of all life insurance in force with U.S. life companies.

## Industrial Life Insurance In Force

In the United States *(000,000 Omitted)*

| Year | No. of Policies | Amount | Year | No. of Policies | Amount |
|---|---|---|---|---|---|
| 1895 | 7 | $ 818 | 1966 | 88 | $39,663 |
| 1900 | 11 | 1,449 | 1967 | 84 | 39,215 |
| 1905 | 17 | 2,278 | 1968 | 81 | 38,827 |
| 1910 | 23 | 3,125 | 1969 | 79 | 38,614 |
| 1915 | 32 | 4,279 | 1970 | 77 | 38,644 |
| 1920 | 48 | 6,948 | 1971 | 76 | 39,202 |
| 1925 | 71 | 12,318 | 1972 | 76 | 39,975 |
| 1930 | 86 | 17,963 | 1973 | 75 | 40,632 |
| 1935 | 81 | 17,471 | 1974 | 71 | 39,441 |
| 1940 | 85 | 20,866 | 1975 | 70 | 39,423 |
| 1945 | 101 | 27,675 | 1976 | 67 | 39,175 |
| 1950 | 108 | 33,415 | 1977 | 66 | 39,045 |
| 1955 | 112 | 39,682 | 1978 | 64 | 38,080 |
| 1960 | 100 | 39,563 | 1979 | 62 | 37,794 |
| 1965 | 89 | 39,818 | 1980 | 58 | 35,994 |

Note: Totals represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies.

*Sources:* Spectator Year Book *and American Council of Life Insurance.*

## Industrial Life Insurance In Force

U.S. Life Insurance Companies *(000,000 Omitted)*

| Year | No. of Policies | Amount | Year | No. of Policies | Amount |
|---|---|---|---|---|---|
| 1900 | 11 | $ 1,469 | 1967 | 85 | $39,847 |
| 1905 | 17 | 2,310 | 1968 | 83 | 39,425 |
| 1910 | 23 | 3,177 | 1969 | 80 | 39,180 |
| 1915 | 33 | 4,428 | 1970 | 79 | 39,179 |
| 1920 | 50 | 7,190 | 1971 | 77 | 39,708 |
| 1925 | 74 | 12,824 | 1972 | 77 | 40,455 |
| 1930 | 89 | 18,287 | 1973 | 76 | 41,087 |
| 1935 | 84 | 18,297 | 1974 | 72 | 39,877 |
| 1940 | 87 | 21,344 | 1975 | 71 | 39,825 |
| 1945 | 104 | 28,497 | 1976 | 68 | 39,574 |
| 1950 | 111 | 34,391 | 1977 | 67 | 39,418 |
| 1955 | 115 | 40,798 | 1978 | 65 | 38,444 |
| 1960 | 102 | 40,446 | 1979 | 63 | 38,211 |
| 1965 | 91 | 40,498 | 1980 | 62 | 40,061 |
| 1966 | 89 | 40,322 | | | |

Note: Totals represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded), whether the policyholders are residents of the United States or of some other country.

*Sources:* Spectator Year Book *and American Council of Life Insurance.*

## Home Service Life Insurance In Force

U.S. Life Insurance Companies *(000,000 Omitted)*

| | Monthly Debit Ordinary | | Industrial | | Total | |
|---|---|---|---|---|---|---|
| Year | No. of Policies | Amount | No. of Policies | Amount | No. of Policies | Amount |
| 1970 | 33 | $ 73,569 | 79 | $39,179 | 112 | $112,748 |
| 1971 | 33 | 77,974 | 77 | 39,708 | 110 | 117,682 |
| 1972 | 33 | 81,867 | 77 | 40,455 | 110 | 122,322 |
| 1973 | 34 | 84,760 | 76 | 41,087 | 110 | 125,847 |
| 1974 | 34 | 87,785 | 72 | 39,877 | 106 | 127,662 |
| 1975 | 34 | 91,985 | 71 | 39,825 | 105 | 131,810 |
| 1976 | 34 | 98,135 | 68 | 39,574 | 102 | 137,709 |
| 1977 | 34 | 102,307 | 67 | 39,418 | 101 | 141,725 |
| 1978 | 34 | 106,461 | 65 | 38,444 | 99 | 144,905 |
| 1979 | 35 | 111,537 | 63 | 38,211 | 98 | 149,748 |
| 1980 | 36 | 115,364 | 62 | 40,061 | 98 | 155,425 |

Note: Totals represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded), whether the policyholders are residents of the United States or of some other country. Data for monthly debit ordinary are included in the aggregate data for ordinary on pages 17-28.

*Source: American Council of Life Insurance.*

# Credit Life Insurance

Credit life insurance, used to repay a debt in case the borrower dies, decreased somewhat in 1980. The amount of credit life in force in the United States totaled $165.2 billion at year-end, a decrease of $14.0 billion over the previous year.

Credit life is term insurance, generally decreasing in amount as a loan is repaid. It protects the borrower's family, as well as the lender, against the unpaid debt that may be left at death. It is commonly a part of consumer credit contracts. Life companies issue credit insurance through such lenders as banks, finance companies, credit unions and retailers, who in turn make arrangements with the borrowers. The credit life insurance total includes protection of 10 years' or less duration issued through lenders.

## Credit Life Insurance In Force

In the United States *(000 Omitted)*

| Year | No. of Policies and Certificates | Amount | Year | No. of Policies and Certificates | Amount |
|---|---:|---:|---|---:|---:|
| 1917 ....... | 1 | * | 1966 ....... | 69,415 | $ 58,059,000 |
| 1920 ....... | 22 | $ 4,000 | 1967 ....... | 70,423 | 61,535,000 |
| 1925 ....... | 81 | 18,000 | 1968 ....... | 74,851 | 68,357,000 |
| 1930 ....... | 363 | 73,000 | 1969 ....... | 78,285 | 74,598,000 |
| 1935 ....... | 559 | 101,000 | 1970 ....... | 77,516 | 77,392,000 |
| 1940 ....... | 2,563 | 380,000 | 1971 ....... | 76,041 | 81,931,000 |
| 1945 ....... | 2,110 | 365,000 | 1972 ....... | 78,439 | 93,410,000 |
| 1950 ....... | 10,819 | 3,844,000 | 1973 ....... | 77,574 | 101,154,000 |
| 1955 ....... | 27,900 | 14,493,000 | 1974 ....... | 83,860 | 109,623,000 |
| 1960 ....... | 43,087 | 29,101,000 | 1975 ....... | 79,708 | 112,032,000 |
| 1961 ....... | 44,845 | 31,107,000 | 1976 ....... | 78,230 | 123,569,000 |
| 1962 ....... | 47,176 | 35,341,000 | 1977 ....... | 79,259 | 139,402,000 |
| 1963 ....... | 52,389 | 40,666,000 | 1978 ....... | 83,725 | 163,081,000 |
| 1964 ....... | 57,508 | 46,487,000 | 1979 ....... | 84,435 | 179,250,000 |
| 1965 ....... | 62,599 | 53,020,000 | 1980 ....... | 78,446 | 165,215,000 |

In U.S. Life Insurance Companies *(000 Omitted)*

| Year | No. of Policies and Certificates | Amount | Year | No. of Policies and Certificates | Amount |
|---|---:|---:|---|---:|---:|
| 1917 ....... | 1 | * | 1966 ....... | 90,095 | $ 71,024,000 |
| 1920 ....... | 22 | $ 4,000 | 1967 ....... | 90,489 | 75,062,000 |
| 1925 ....... | 81 | 18,000 | 1968 ....... | 96,347 | 83,193,000 |
| 1930 ....... | 363 | 73,000 | 1969 ....... | 102,426 | 93,341,000 |
| 1935 ....... | 559 | 101,000 | 1970 ....... | 101,786 | 96,455,000 |
| 1940 ....... | 2,568 | 381,000 | 1971 ....... | 97,730 | 101,427,000 |
| 1945 ....... | 2,124 | 370,000 | 1972 ....... | 101,820 | 116,218,000 |
| 1950 ....... | 10,992 | 3,903,000 | 1973 ....... | 99,453 | 125,702,000 |
| 1955 ....... | 32,985 | 17,072,000 | 1974 ....... | 105,228 | 136,829,000 |
| 1960 ....... | 55,650 | 34,812,000 | 1975 ....... | 101,710 | 140,378,000 |
| 1961 ....... | 58,465 | 36,841,000 | 1976 ....... | 98,057 | 151,238,000 |
| 1962 ....... | 62,723 | 41,704,000 | 1977 ....... | 100,117 | 168,798,000 |
| 1963 ....... | 69,901 | 48,476,000 | 1978 ....... | 106,773 | 199,464,000 |
| 1964 ....... | 76,810 | 56,291,000 | 1979 ....... | 106,611 | 217,268,000 |
| 1965 ....... | 82,197 | 64,595,000 | 1980 ....... | 101,622 | 210,019,000 |

**Note: "Credit" shown above is limited to life insurance on loans of 10 years' or less duration. Totals for "In the United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Totals for "In U.S. Life Insurance Companies" represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded) whether the policyholders are residents of the United States or of some other country.**

***Less than $500,000.**

***Source: American Council of Life Insurance.***

# Life Insurance and American Families

A national survey conducted in 1976 for the American Council of Life Insurance and the Life Insurance Marketing and Research Association provides an inventory of life insurance coverage of adults and families and other households in the United States.

At year-end 1976, 2 out of 3 households in the U.S. had some form of life insurance coverage. Adult men were the most frequently insured, with 80% having some type of coverage; 78% were the primary policyholder. Sixty-five percent of adult women were insured; 54% as primary policyholders. Over half (57%) of all children were protected; the majority were covered as dependents.

The average (mean) amount of life insurance in force on a man in 1976 was $29,000; on a woman, $7,680; and on a child $2,640. Adult men with their own policies (i.e., not covered as dependents) paid an average annual premium of $256. The average premium for women owning their own policies was $78 per year.

Life insurance purchased by an individual through a life insurance agent covered 54% of American adults; 59% of men and 50% of women. In 1976, the average amounts of agent-marketed individual life insurance owned by adult males and females were $19,210 and $5,240, respectively.

Some form of life insurance was held by 80% of U.S. household heads. The average amount of coverage per insured head in 1976 was $26,730. Life insurance purchased by an individual through an agent was owned by 59% of household heads, while employee group life insurance provided protection for 42%. A larger percentage of male household heads had group coverage (48%) than did female heads (21%). The average amounts of group insurance owned by male and female household heads were $20,830 and $8,550, respectively. Group insurance protected 59% of household heads employed full-time; the highest incidence of coverage (71%) occurring in households whose total income was in the $20,000 to $24,999 range.

The survey showed that life insurance ownership was most prevalent in households where the head was in the 30 to 34 age group; one or more household members were insured in 91% of those households. The total amount of insurance owned by members of covered households in 1976 averaged $49,320, with one-third of such households insured for $50,000 or more.

In 69% of households headed by persons 65 and over, one or more persons were protected by some form of life insurance; however, in two-thirds of covered households policies totaled less than $5,000.

Families where both husband and wife are present comprise approximately 62% of all American households. Of these husband-wife families, the head was most frequently insured (91%) when there was a child or children under age 18 living at home. The average amount of coverage for insured husbands in these families in 1976 was $37,600, while the average coverage for the entire family was $48,110. Sixty-seven percent of heads of husband-wife families with children under 18 owned agent-marketed individual life insurance; the average amount of coverage was $23,500.

Primary individuals (a primary individual is a one-person household or a household in which two or more unrelated adults live together) comprise about 25% of all U.S. households. According to the survey, 63% of heads of such households were covered by some form of life insurance in 1976.

## Ownership of Life Insurance by Adults 1976

Percent of Adults Insured by Type of Life Insurance

| | All Types of Life Insurance | | Agent-Marketed Individual Life Insurance | | Employee Group Life Insurance | |
|---|---|---|---|---|---|---|
| Total Adult | 72% | | 54% | | 31% | |
| Men | 80 | | 59 | | 42 | |
| Women | 65 | | 50 | | 21 | |
| Age | Male | Female | Male | Female | Male | Female |
| 18-24 | 63% | 57% | 43% | 39% | 24% | 21% |
| 25-29 | 83 | 65 | 57 | 45 | 50 | 29 |
| 30-34 | 90 | 76 | 67 | 60 | 57 | 28 |
| 35-44 | 88 | 71 | 65 | 53 | 54 | 31 |
| 45-54 | 89 | 68 | 65 | 51 | 57 | 25 |
| 55-64 | 87 | 68 | 63 | 60 | 46 | 17 |
| 65 and Older | 68 | 55 | 56 | 49 | 17 | 5 |
| Total Life Insurance Coverage (All Adults) | | | | | | |
| $100,000 or more | 2% | | 1% | | † | |
| $50,000-$99,999 | 5 | | 2 | | 2% | |
| $25,000-$49,999 | 9 | | 4 | | 3 | |
| $15,000-$24,999 | 8 | | 5 | | 4 | |
| $ 5,000-$14,999 | 21 | | 16 | | 14 | |
| Less than $5,000 | 27 | | 26 | | 8 | |
| | 72% | | 54% | | 31% | |
| Average Amount of Coverage | | | | | | |
| Total Adult | $18,720 | | $12,280 | | $16,250 | |
| Men | 29,000 | | 19,210 | | 20,620 | |
| Women | 7,680 | | 5,240 | | 8,620 | |
| Wives | 8,470 | | 5,980 | | 8,900 | |
| Children | 2,640 | | 2,450 | | 2,310 | |

## Ownership of Life Insurance by Households 1976

Percent of Households in Which at Least One Member Owns Life Insurance

| | All Types of Life Insurance | Agent-Marketed Individual Life Insurance | Employee Group Life Insurance |
|---|---|---|---|
| All Households | 83% | 65% | 46% |
| Male Head | 88 | 69 | 52 |
| Female Head | 67 | 52 | 24 |
| All Families | 88% | 70% | 51% |
| Husband-Wife Families | 90 | 71 | 55 |
| With Children Under 18 | 93 | 73 | 63 |
| Without Children Under 18 | 88 | 70 | 47 |
| Individual Heads | 64% | 46% | 25% |

Percent of Households in Which Household Head Is Insured

| | All Types of Life Insurance | Agent-Marketed Individual Life Insurance | Employee Group Life Insurance |
|---|---|---|---|
| All Household Heads | 80% | 59% | 42% |
| Male Head | 85 | 62 | 48 |
| Female Head | 64 | 49 | 21 |
| Heads of All Husband-Wife Families | 88% | 65% | 50% |
| With Children Under 18 | 91 | 67 | 59 |
| Without Children Under 18 | 84 | 63 | 41 |
| Heads of All Families | 85% | 63% | 46% |
| Incomplete Families* | 71 | 54 | 25 |
| Individual Heads** | 63 | 44 | 24 |

Note: "All Types of Life Insurance" includes coverage with legal reserve life insurance companies, Veterans life insurance, and life insurance issued by savings banks, fraternal organizations, mutual aid and burial societies, and similar types of coverage. "Agent-Marketed Individual Life Insurance" comprises ordinary and/or industrial life insurance individually purchased through an agent.

†Less than .5%.

*A family of two or more related individuals in which the family head does not have a spouse living in the household.

**Households of one person and those in which two or more unrelated adults live together.

*Source: A national consumer survey conducted in 1976 for the American Council of Life Insurance and the Life Insurance Marketing and Research Association.*

# Annuities

The number of annuities in force with U.S. life insurance companies under individual and supplementary contracts totaled 6.0 million at the end of 1980, an increase of 978,000, or 19.3%, during the year.

Individual annuities accounted for 5.4 million of the total, an increase of 911,000, or 20.3%, from 1979. The growth was due largely to continued purchases of annuities for individual pension plans, made possible by the 1974 Federal pension legislation, the Employee Retirement Income Security Act. This follows an increase of 5.8% during 1979, 15.3% in 1978 and an increase of 22.2% in 1975, the first full year that the pension law was in effect.

Annual income now payable or to be paid in the future under individual annuities amounted to nearly $8.2 billion in 1980, an increase of $2.1 billion over 1979. Individually purchased annuities, such as Keogh plans or tax-sheltered type plans, are also discussed in the chapter on pension plans with life insurance companies (page 52).

Many supplementary contracts provide life income from life insurance policy proceeds. By year-end 1980, there were 642,000 supplementary contract life annuities in force with life insurance companies, providing an annual income of $522 million to annuitants.

Annuities provide protection against the possibility of outliving one's financial resources. They can be set up to pay income currently or in the future at regular intervals, usually monthly. Most annuities are intended to provide guaranteed retirement income of a predetermined amount, most often for life.

There are several sources of annuity plans. They are available on a group basis, most often as pension plans set up by employers with life insurance companies, or they can be purchased individually through a life insurance agent. The cash surrender, matured endowment values, or the death benefit of individual life insurance policies may also be used to set up an annuity. Group annuities with life insurance companies are covered in the chapter on pension plans (page 52).

### Individual Annuities and Supplementary Contracts In Force 1980 U.S. Life Insurance Companies

| | Individual Annuities | | Supplementary Contracts | |
|---|---|---|---|---|
| | Number | Annual Income | Number | Annual Income |
| Income Now Payable | 527,000 | $ 637,000,000 | 622,000 | $502,000,000 |
| Income Deferred But Fully Paid | 1,959,000 | 2,160,000,000 | 20,000 | 20,000,000 |
| Income Deferred But Not Fully Paid | 2,916,000 | 5,354,000,000 | * | ** |
| Total | 5,402,000 | $8,151,000,000 | 642,000 | $522,000,000 |

Note: Data for supplementary contracts represent only those with life contingencies.

*Fewer than 500. **Less than $500,000.

*Source: American Council of Life Insurance.*

**Variable Annuities.** The variable annuity, all or part of which may be based on common stock investments or related to a cost of living or other index, was first developed in the 1950s. Part or all of the funds normally placed in common stocks or other investments are maintained in a separate investment account. Considerably more investment latitude is permitted with funds in separate accounts than with life insurance investments generally. With one type of variable annuity, income payments are fixed and guaranteed once they begin, although the initial size depends upon the value of the fund. With another, the income payments themselves vary with the current value of the investments on which the annuity is based. Many plans provide for a combination of fixed or variable incomes under one contract.

Survey data for year-end 1980 showed that there were 2.3 million persons covered by life insurance company variable annuity plans in the United States. Over 2.2 million of these persons were covered by plans with equity-based benefits.

Annualized income paid in 1980 amounted to $251.7 million, $51.2 million under the variable payment portion and $200.5 million under the fixed portion. In addition, many persons have plans which provide a variable benefit if the variable payment option is exercised prior to retirement as specified in the contract.

Included in individual plans were 86,650 Individual Retirement Accounts with $128.1 million in variable and $217.9 in other reserves.

## Variable Annuity Plans in the United States 1980

*(Dollar Amounts in Thousands)*

| | Group Plans | | | | Total |
|---|---|---|---|---|---|
| | Equity Fund Index | Other Indices | Total Group | Individual Plans | (Group and Individual) |
| IN FORCE YEAR-END 1980 | | | | | |
| No. of Plans | 53,730 | 10 | 53,740 | — | — |
| No. of Persons | 1,484,610 | 74,650 | 1,559,260 | 755,570 | 2,314,830 |
| Reserves | | | | | |
| Variable | $3,245,720 | $450,310 | $3,696,030 | $2,724,400 | $ 6,420,430 |
| Other | 5,965,680 | 296,150 | 6,261,830 | 2,095,300 | 8,357,130 |
| Total | $9,211,400 | $746,460 | $9,957,860 | $4,819,700 | $14,777,560 |
| CONSIDERATIONS IN 1980 | | | | | |
| Variable | $ 225,880 | $ 58,240 | $ 284,120 | $ 678,480 | $ 962,600 |
| Other | 1,202,810 | 13,950 | 1,216,760 | 310,360 | 1,527,120 |
| Total | $1,428,690 | $ 72,190 | $1,500,880 | $ 988,840 | $ 2,489,720 |
| VARIABLE ANNUITIES IN COURSE OF PAYMENT — 1980 | | | | | |
| No. of Persons Receiving Payments Year-End 1980 | 18,310 | 10,190 | 28,500 | 11,240 | 39,740 |
| Annualized Income | | | | | |
| Variable | $ 19,550 | $ 25,670 | $ 45,220 | $ 6,020 | $ 51,240 |
| Fixed | 164,350 | 25,460 | 189,810 | 10,690 | 200,500 |
| Total | $ 183,900 | $ 51,130 | $ 235,030 | $ 16,710 | $ 251,740 |

Note: The table includes variable and fixed data on plans which provide variable annuity benefits either in whole or in part. Numbers of plans and active lives under plans which provide an option for a variable annuity payout at retirement are not included. For 1980 there were 650 such groups covering 94,460 persons, and 3,980 individual plans.

*Source: American Council of Life Insurance.*

# LIFE INSURANCE AND ANNUITY BENEFIT PAYMENTS

Americans received $38.0 billion in payments from life insurance policies and annuities during 1980, a 17.5% increase over 1979.

These payments, increasing steadily for many years, reflect the growing use of life insurance, not only in providing funds for the family whose breadwinner dies but for family financial needs during the policyholder's lifetime.

Since the majority of payments to beneficiaries, as well as payments to policyholders and annuitants, are made well after the time of purchase, life insurance benefit payments have not yet fully reflected the increase in life insurance and annuity purchases of the past two decades.

Several factors affect the pattern of life insurance benefit payments. Primary among them are the changes in the death rate among policyholders and the growth of group life insurance and other term insurance policies which do not incorporate a cash value.

These figures do not include $2.1 billion of benefits paid by other organizations issuing legal reserve life insurance, including fraternal societies, and by the Federal government.

## Life Insurance and Annuity Benefit Payments

In the United States *(000,000 Omitted)*

| | Life Policyholders and Beneficiaries | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Year | Death Payments | Matured Endowments | Disability Payments | Surrender Values | Policy Dividends | Total | Annuity Payments | Grand Total |
| 1940 ... | $ 995 | $ 269 | $104 | $ 652 | $ 468 | $ 2,488 | $ 176 | $ 2,664 |
| 1945 ... | 1,279 | 407 | 88 | 211 | 466 | 2,451 | 216 | 2,667 |
| 1950 ... | 1,590 | 495 | 100 | 592 | 627 | 3,404 | 327 | 3,731 |
| 1955 ... | 2,241 | 614 | 110 | 896 | 1,021 | 4,882 | 501 | 5,383 |
| 1960 ... | 3,346 | 673 | 124 | 1,633 | 1,512 | 7,288 | 830 | 8,118 |
| 1965 ... | 4,832 | 931 | 163 | 1,932 | 2,259 | 10,117 | 1,300 | 11,417 |
| 1966 ... | 5,218 | 982 | 169 | 2,120 | 2,416 | 10,905 | 1,437 | 12,342 |
| 1967 ... | 5,665 | 1,017 | 175 | 2,243 | 2,596 | 11,696 | 1,598 | 13,294 |
| 1968 ... | 6,209 | 967 | 196 | 2,456 | 2,803 | 12,631 | 1,754 | 14,385 |
| 1969 ... | 6,758 | 953 | 205 | 2,722 | 2,967 | 13,605 | 1,920 | 15,525 |
| 1970 ... | 7,017 | 978 | 233 | 2,887 | 3,214 | 14,329 | 2,120 | 16,449 |
| 1971 ... | 7,423 | 990 | 257 | 2,882 | 3,300 | 14,852 | 2,325 | 17,177 |
| 1972 ... | 8,007 | 1,001 | 271 | 3,027 | 3,640 | 15,946 | 2,628 | 18,574 |
| 1973 ... | 8,572 | 1,025 | 317 | 3,418 | 3,948 | 17,280 | 3,033 | 20,313 |
| 1974 ... | 8,885 | 991 | 375 | 3,642 | 4,208 | 18,101 | 3,351 | 21,452 |
| 1975 ... | 9,192 | 946 | 426 | 3,763 | 4,544 | 18,871 | 3,665 | 22,536 |
| 1976 ... | 9,593 | 976 | 458 | 4,148 | 5,017 | 20,192 | 4,419 | 24,611 |
| 1977 ... | 10,196 | 932 | 495 | 4,309 | 5,263 | 21,195 | 5,267 | 26,462 |
| 1978 ... | 11,108 | 916 | 533 | 4,520 | 5,674 | 22,751 | 5,863 | 28,614 |
| 1979 ... | 11,766 | 913 | 554 | 5,473 | 6,131 | 24,837 | 7,548 | 32,385 |
| 1980 ... | 12,884 | 908 | 592 | 6,678 | 6,785 | 27,847 | 10,195 | 38,042 |

Note: Figures represent benefit payments under original policy contracts, including benefits that are left with the companies for future payment under supplementary contracts, but excluding payments from existing supplementary contracts. See page 47 for supplementary contract payments and page 48 for health insurance benefits paid by life companies. Annuity payments include death, surrender, disability and dividend payments.

*Source: American Council of Life Insurance.*

# Life Insurance and Annuity Benefit Payments

In the United States by State 1980 *(000 Omitted)*

| State | Death Payments | Matured Endowments | Annuity Payments | Disability Payments | Surrender Values | Policy and Contract Dividends | Total |
|---|---|---|---|---|---|---|---|
| Alabama | $ 218,700 | $ 9,000 | $ 69,100 | $ 8,400 | $ 88,500 | $ 91,500 | $ 485,200 |
| Alaska | 21,200 | 600 | 9,200 | 500 | 7,300 | 8,900 | 47,700 |
| Arizona | 136,100 | 8,400 | 127,300 | 6,800 | 79,300 | 84,600 | 442,500 |
| Arkansas | 83,600 | 5,000 | 39,300 | 5,300 | 40,000 | 45,500 | 218,700 |
| California | 1,188,600 | 69,000 | 1,286,500 | 58,200 | 637,700 | 684,000 | 3,924,000 |
| Colorado | 153,700 | 8,800 | 88,500 | 5,500 | 93,500 | 108,800 | 458,800 |
| Connecticut | 220,300 | 18,000 | 243,200 | 8,400 | 141,100 | 148,900 | 779,900 |
| Delaware | 51,000 | 3,200 | 21,700 | 2,400 | 18,200 | 25,200 | 121,700 |
| D. C. | 69,700 | 3,300 | 36,200 | 2,000 | 18,500 | 24,500 | 154,200 |
| Florida | 542,300 | 40,000 | 522,900 | 27,200 | 330,600 | 306,200 | 1,769,200 |
| Georgia | 316,400 | 14,500 | 93,400 | 14,600 | 156,600 | 142,200 | 737,700 |
| Hawaii | 47,700 | 4,100 | 56,300 | 2,400 | 27,500 | 40,800 | 178,800 |
| Idaho | 36,700 | 2,600 | 26,100 | 1,500 | 22,800 | 27,500 | 117,200 |
| Illinois | 778,800 | 64,000 | 490,700 | 32,200 | 390,900 | 542,200 | 2,298,800 |
| Indiana | 310,800 | 24,400 | 194,200 | 15,800 | 155,800 | 196,800 | 897,800 |
| Iowa | 157,700 | 15,700 | 130,500 | 12,200 | 87,000 | 142,000 | 545,100 |
| Kansas | 127,800 | 10,200 | 76,500 | 7,700 | 66,100 | 89,700 | 378,000 |
| Kentucky | 159,600 | 12,000 | 65,700 | 7,300 | 68,000 | 85,700 | 398,300 |
| Louisiana | 225,700 | 9,900 | 89,600 | 10,000 | 84,400 | 108,500 | 528,100 |
| Maine | 52,700 | 6,800 | 37,100 | 2,500 | 35,800 | 43,500 | 178,400 |
| Maryland | 262,700 | 19,400 | 152,300 | 7,600 | 119,400 | 147,600 | 709,000 |
| Massachusetts | 312,000 | 26,800 | 336,500 | 10,700 | 193,900 | 217,900 | 1,097,800 |
| Michigan | 590,000 | 38,900 | 357,300 | 38,800 | 264,700 | 290,100 | 1,579,800 |
| Minnesota | 190,600 | 16,300 | 163,700 | 9,000 | 116,500 | 165,600 | 661,700 |
| Mississippi | 89,500 | 4,000 | 22,600 | 4,200 | 39,600 | 45,400 | 205,300 |
| Missouri | 270,200 | 20,000 | 154,500 | 12,300 | 132,500 | 163,000 | 752,500 |
| Montana | 37,300 | 2,800 | 21,600 | 1,200 | 20,500 | 23,700 | 107,100 |
| Nebraska | 84,800 | 7,500 | 65,100 | 3,300 | 49,200 | 78,100 | 288,000 |
| Nevada | 45,000 | 1,600 | 24,100 | 1,100 | 18,200 | 19,300 | 109,300 |
| New Hampshire | 43,000 | 5,400 | 34,900 | 1,600 | 27,600 | 33,900 | 146,400 |
| New Jersey | 565,000 | 42,800 | 479,100 | 24,800 | 309,200 | 334,400 | 1,755,300 |
| New Mexico | 58,000 | 2,700 | 36,700 | 2,100 | 26,000 | 30,400 | 155,900 |
| New York | 1,157,900 | 88,500 | 826,700 | 55,100 | 659,000 | 850,500 | 3,637,700 |
| North Carolina | 291,300 | 17,900 | 128,700 | 10,300 | 142,100 | 148,800 | 739,100 |
| North Dakota | 33,100 | 2,500 | 15,100 | 1,100 | 18,900 | 20,700 | 91,400 |
| Ohio | 708,200 | 56,700 | 538,100 | 36,700 | 357,300 | 424,000 | 2,121,000 |
| Oklahoma | 155,500 | 8,300 | 91,200 | 6,300 | 68,600 | 83,900 | 413,800 |
| Oregon | 121,800 | 9,300 | 115,100 | 5,300 | 75,400 | 78,600 | 405,500 |
| Pennsylvania | 767,300 | 75,600 | 513,700 | 38,500 | 396,800 | 468,600 | 2,260,500 |
| Rhode Island | 58,900 | 4,500 | 47,300 | 1,900 | 36,400 | 41,100 | 190,100 |
| South Carolina | 157,600 | 8,600 | 51,900 | 6,500 | 69,100 | 61,600 | 355,300 |
| South Dakota | 31,400 | 2,500 | 14,100 | 1,400 | 16,900 | 23,900 | 90,200 |
| Tennessee | 230,700 | 11,600 | 118,400 | 11,600 | 118,400 | 122,100 | 612,800 |
| Texas | 786,900 | 33,100 | 582,900 | 28,300 | 366,100 | 321,700 | 2,119,000 |
| Utah | 57,300 | 3,800 | 35,400 | 3,000 | 35,700 | 35,400 | 170,600 |
| Vermont | 23,000 | 2,800 | 27,200 | 1,100 | 15,600 | 18,100 | 87,800 |
| Virginia | 308,100 | 19,300 | 149,800 | 9,500 | 137,700 | 141,300 | 765,700 |
| Washington | 187,500 | 12,200 | 165,200 | 9,100 | 109,800 | 128,500 | 612,300 |
| West Virginia | 99,200 | 8,000 | 74,000 | 7,600 | 31,900 | 50,100 | 270,800 |
| Wisconsin | 240,200 | 23,700 | 184,400 | 10,600 | 145,100 | 206,000 | 810,000 |
| Wyoming | 21,300 | 1,500 | 11,900 | 600 | 10,400 | 14,600 | 60,300 |
| Total U. S. | $12,884,400 | $908,100 | $9,243,500 | $592,100 | $6,678,100 | $7,735,900 | $38,042,100 |

Note: Totals for annuity payments and dividend payments differ from those shown on pages 7, 39 and 46 because annuity dividends in this table are included with policy dividends rather than with annuity payments.

*Source: American Council of Life Insurance.*

## Payments to Beneficiaries

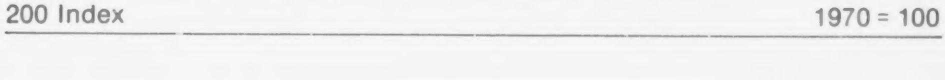
The main reason people buy life insurance is to protect their dependents against financial hardship when the policyholder dies. The extent to which American families depend upon life insurance to provide this economic protection was documented in a survey of widows several years ago, which showed that life insurance of some type was owned by 92% of the husbands. Individually purchased policies bought from legal reserve companies were owned by 7 out of 10 husbands.

Nationally, the growth in the level of life insurance ownership has been the primary reason for the almost uninterrupted rise in life insurance death payments over the years, despite a generally downward trend in death rates among life insurance policyholders, as evidenced by a decline in recent years in the number of death claims.

During 1980, life insurance companies paid $12.9 billion to beneficiaries of policyholders who died. Of this total, ordinary life insurance policies accounted for 47.3% of the payments and provided $6.1 billion. Group life insurance payments to beneficiaries totaled $5.7 billion. Group life insurance has grown as a proportion of total death payments, accounting for 44.0% of death payments in 1980, compared to 41.4% in 1975. Payments to beneficiaries from industrial life insurance came to some $493 million in 1980. Benefits paid under short-term individual and group credit life insurance policies (life insurance on loans of 10 years' or less duration) were $626 million in 1980.

The largest amount of death payments in 1980 by state was made in California—$1,189 million. New York ranked second with $1,158 million.

### Relative Growth in Average Size Life Insurance Death Benefit Payments in the United States



## Payments to Life Insurance Beneficiaries in the United States

(No. in Thousands, Amount in Millions)

| | Ordinary | | Group | | Industrial | | Credit* | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | No. | Amount | No. | Amount | No. | Amount | No. | Amount | No. | Amount |
| 1940 .... | 267 | $ 729 | 50 | $ 104 | 707 | $162 | - | - | 1,024 | $ 995 |
| 1945 .... | 370 | 897 | 92 | 171 | 856 | 212 | - | - | 1,318 | 1,280 |
| 1950 .... | 403 | 1,090 | 133 | 283 | 843 | 217 | - | - | 1,379 | 1,590 |
| 1955 .... | 489 | 1,380 | 243 | 591 | 929 | 270 | - | - | 1,661 | 2,241 |
| 1960 .... | 630 | 1,904 | 394 | 1,115 | 1,014 | 327 | - | - | 2,038 | 3,346 |
| 1961 .... | 649 | 2,001 | 481 | 1,246 | 1,010 | 334 | - | - | 2,140 | 3,581 |
| 1962 .... | 684 | 2,138 | 535 | 1,382 | 1,045 | 358 | - | - | 2,264 | 3,878 |
| 1963 .... | 730 | 2,311 | 580 | 1,521 | 1,074 | 377 | - | - | 2,384 | 4,209 |
| 1964 .... | 763 | 2,485 | 608 | 1,664 | 1,057 | 385 | - | - | 2,428 | 4,534 |
| 1965 .... | 784 | 2,604 | 636 | 1,824 | 1,082 | 403 | - | - | 2,502 | 4,831 |
| 1966 .... | 815 | 2,750 | 683 | 2,058 | 1,079 | 410 | - | - | 2,577 | 5,218 |
| 1967 .... | 832 | 2,961 | 721 | 2,288 | 1,060 | 416 | - | - | 2,613 | 5,665 |
| 1968 .... | 930 | 3,210 | 746 | 2,578 | 1,039 | 421 | - | - | 2,715 | 6,209 |
| 1969 .... | 955 | 3,424 | 769 | 2,898 | 1,025 | 436 | - | - | 2,749 | 6,758 |
| 1970 .... | 960 | 3,545 | 767 | 3,027 | 1,014 | 445 | - | - | 2,741 | 7,017 |
| 1971 .... | 987 | 3,699 | 761 | 3,267 | 1,017 | 457 | - | - | 2,765 | 7,423 |
| 1972 .... | 1,036 | 4,004 | 810 | 3,537 | 1,040 | 466 | - | - | 2,886 | 8,007 |
| 1973 .... | 1,057 | 4,222 | 541 | 3,377 | 1,018 | 477 | 398 | $496 | 3,014 | 8,572 |
| 1974 .... | 1,068 | 4,340 | 590 | 3,580 | 974 | 472 | 377 | 493 | 3,009 | 8,885 |
| 1975 .... | 1,076 | 4,439 | 591 | 3,807 | 922 | 462 | 337 | 484 | 2,926 | 9,192 |
| 1976 .... | 1,090 | 4,635 | 580 | 3,991 | 933 | 475 | 322 | 492 | 2,925 | 9,593 |
| 1977 .... | 1,081 | 4,879 | 571 | 4,334 | 911 | 475 | 307 | 508 | 2,870 | 10,196 |
| 1978 .... | 1,123 | 5,312 | 592 | 4,738 | 928 | 488 | 318 | 570 | 2,961 | 11,108 |
| 1979 .... | 1,103 | 5,548 | 601 | 5,127 | 881 | 480 | 309 | 611 | 2,894 | 11,766 |
| 1980 .... | 1,172 | 6,094 | 637 | 5,671 | 873 | 493 | 285 | 626 | 2,967 | 12,884 |

*Prior to 1973 death payments under Credit Life Insurance are included with Ordinary and Group.

*Source: American Council of Life Insurance.*

Analyses of death payments indicate that members of policyholders' immediate families are the beneficiaries of most of the proceeds from all types of life insurance. Most other payments go to relatives outside the immediate family, with smaller proportions going to estates and trusts, business firms and partners, and to educational, charitable and other institutions.

The most recent study of benefit payments showed that in April 1977, 25% of all death payments from ordinary life insurance were on the lives of policyholders under the age of 50, 57% were on policyholders aged 50 to 74, and 18% were on the lives of persons 75 years old or older.

Most payments to beneficiaries are taken in a lump sum. However, some beneficiaries elect to leave the proceeds with the insurance companies at interest. Another choice of settlement, under both group and ordinary insurance, is to take an income for life or for a specified period.

The 1977 survey from which these conclusions are drawn is the most recent in a series of 11 periodic surveys of payments to beneficiaries under ordinary life insurance policies. A comparison of these studies reveals shifts in some aspects of payments to beneficiaries. For example, the size of payments upon death under ordinary life insurance policies has been growing, reflecting the increasing size of policies in force. When the first survey was taken in 1948, payments to beneficiaries of $10,000 or more were made on only 5.6% of the policies. By the 1977 survey, the proportion more than doubled to 11.7%.

Many life insurance policies provide an additional benefit if the policyholder's death is accidental. During 1980, life insurance companies' payments under accidental death clauses totaled $280 million.

# Payments to Life Insurance Beneficiaries In the United States by State 1980

| State | Ordinary* | | Group** | | Industrial | | Total | |
|---|---|---|---|---|---|---|---|---|
| | No. | Amount (000 Omitted) | No. | Amount (000 Omitted) | No. | Amount (000 Omitted) | No. | Amount (000 Omitted) |
| Alabama | 14,400 | $ 96,000 | 15,500 | $ 96,800 | 62,500 | $25,900 | 92,400 | $ 218,700 |
| Alaska | 600 | 9,200 | 1,500 | 12,000 | — | — | 2,100 | 21,200 |
| Arizona | 13,000 | 78,300 | 9,000 | 56,000 | 2,800 | 1,800 | 24,800 | 136,100 |
| Arkansas | 7,900 | 43,600 | 5,500 | 37,800 | 3,900 | 2,200 | 17,300 | 83,600 |
| California | 82,800 | 566,400 | 87,900 | 600,900 | 30,900 | 21,300 | 201,600 | 1,188,600 |
| Colorado | 11,800 | 76,900 | 10,900 | 74,300 | 3,500 | 2,500 | 26,200 | 153,700 |
| Connecticut | 21,300 | 95,600 | 15,600 | 120,700 | 6,600 | 4,000 | 43,500 | 220,300 |
| Delaware | 3,300 | 20,900 | 3,100 | 28,300 | 3,400 | 1,800 | 9,800 | 51,000 |
| D. C. | 2,800 | 17,100 | 7,000 | 49,900 | 5,100 | 2,700 | 14,900 | 69,700 |
| Florida | 58,000 | 309,800 | 30,600 | 201,200 | 57,600 | 31,300 | 146,200 | 542,300 |
| Georgia | 27,300 | 145,300 | 20,900 | 143,500 | 52,400 | 27,600 | 100,600 | 316,400 |
| Hawaii | 2,600 | 23,700 | 4,000 | 23,900 | 100 | 100 | 6,700 | 47, 00 |
| Idaho | 3,200 | 19,200 | 3,100 | 17,300 | 200 | 200 | 6,500 | 36,700 |
| Illinois | 77,600 | 386,200 | 55,200 | 361,400 | 47,300 | 31,200 | 180,100 | 778,800 |
| Indiana | 29,800 | 138,600 | 22,000 | 157,700 | 24,600 | 14,500 | 76,400 | 310,800 |
| Iowa | 18,200 | 91,000 | 10,600 | 64,300 | 3,500 | 2,400 | 32,300 | 157,700 |
| Kansas | 13,800 | 73,300 | 8,100 | 51,700 | 4,300 | 2,800 | 26,200 | 127,800 |
| Kentucky | 18,100 | 75,600 | 10,700 | 74,000 | 20,200 | 10,000 | 49,000 | 159,600 |
| Louisiana | 15,900 | 102,000 | 14,400 | 104,800 | 38,300 | 18,900 | 68,600 | 225,700 |
| Maine | 5,800 | 28,100 | 4,600 | 23,500 | 2,000 | 1,100 | 12,400 | 52,700 |
| Maryland | 20,900 | 111,200 | 19,500 | 139,200 | 23,800 | 12,300 | 64,200 | 262,700 |
| Massachusetts | 42,600 | 147,000 | 23,200 | 156,000 | 18,700 | 9,000 | 84,500 | 312,000 |
| Michigan | 42,300 | 202,700 | 48,600 | 370,800 | 25,400 | 16,500 | 116,300 | 590,000 |
| Minnesota | 19,600 | 93,200 | 16,600 | 94,300 | 4,700 | 3,100 | 40,900 | 190,600 |
| Mississippi | 6,700 | 44,700 | 6,900 | 41,300 | 6,900 | 3,500 | 20,500 | 89,500 |
| Missouri | 32,100 | 130,700 | 20,000 | 128,100 | 19,800 | 11,400 | 71,900 | 270,200 |
| Montana | 3,200 | 21,100 | 2,800 | 16,000 | 300 | 200 | 6,300 | 37,300 |
| Nebraska | 9,900 | 52,800 | 4,800 | 30,900 | 1,700 | 1,100 | 16,400 | 84,800 |
| Nevada | 2,200 | 15,800 | 4,400 | 29,000 | 300 | 200 | 6,900 | 45,000 |
| New Hampshire | 5,000 | 21,400 | 3,300 | 20,500 | 2,200 | 1,100 | 10,500 | 43,000 |
| New Jersey | 53,100 | 251,700 | 32,500 | 292,400 | 33,400 | 20,900 | 119,000 | 565,000 |
| New Mexico | 3,900 | 29,200 | 4,300 | 28,100 | 1,300 | 700 | 9,500 | 58,000 |
| New York | 114,500 | 568,900 | 72,700 | 556,800 | 50,100 | 32,200 | 237,300 | 1,157,900 |
| North Carolina | 28,500 | 145,900 | 20,300 | 128,600 | 31,400 | 16,800 | 80,200 | 291,300 |
| North Dakota | 3,200 | 20,400 | 2,000 | 12,600 | 100 | 100 | 5,300 | 33,100 |
| Ohio | 65,100 | 316,300 | 52,100 | 359,000 | 53,100 | 32,900 | 170,300 | 708,200 |
| Oklahoma | 13,200 | 86,300 | 8,900 | 66,600 | 4,400 | 2,600 | 26,500 | 155,500 |
| Oregon | 8,900 | 54,300 | 10,000 | 66,300 | 1,600 | 1,200 | 20,500 | 121,800 |
| Pennsylvania | 93,200 | 353,900 | 57,200 | 367,400 | 77,100 | 46,000 | 227,500 | 767,300 |
| Rhode Island | 9,100 | 30,600 | 4,400 | 26,500 | 3,900 | 1,800 | 17,400 | 58,900 |
| South Carolina | 18,500 | 73,700 | 11,100 | 68,300 | 27,200 | 15,600 | 56,800 | 157,600 |
| South Dakota | 3,700 | 19,600 | 2,200 | 11,700 | 100 | 100 | 6,000 | 31,400 |
| Tennessee | 19,700 | 106,500 | 18,000 | 110,500 | 28,400 | 13,700 | 66,100 | 230,700 |
| Texas | 59,300 | 393,500 | 50,700 | 374,300 | 36,500 | 19,100 | 146,500 | 786,900 |
| Utah | 4,500 | 28,000 | 5,100 | 28,600 | 1,000 | 700 | 10,600 | 57,300 |
| Vermont | 2,700 | 12,200 | 1,800 | 10,400 | 900 | 400 | 5,400 | 23,000 |
| Virginia | 22,100 | 126,200 | 23,100 | 165,800 | 30,300 | 16,100 | 75,500 | 308,100 |
| Washington | 13,100 | 89,200 | 15,200 | 96,800 | 2,200 | 1,500 | 30,500 | 187,500 |
| West Virginia | 7,900 | 41,800 | 8,200 | 53,000 | 7,700 | 4,400 | 23,800 | 99,200 |
| Wisconsin | 25,500 | 123,900 | 18,000 | 110,300 | 9,500 | 6,000 | 53,000 | 240,200 |
| Wyoming | 1,800 | 10,300 | 1,600 | 10,900 | 100 | 100 | 3,500 | 21,300 |
| Total U. S. | 1,184,200 | $6,119,800 | 909,700 | $6,271,000 | 873,300 | $493,600 | 2,967,200 | $12,884,400 |

*Includes $26 million in payments to beneficiaries under individual credit life insurance policies on loans of 10 years' or less duration.

**Includes $600 million in payments to beneficiaries under group credit life insurance on loans of 10 years' or less duration.

*Source: American Council of Life Insurance.*

## Analysis of Payments to Beneficiaries Under Ordinary Life Insurance in the United States

| | Percent of Policies | | | Percent of Amount | | |
|---|---|---|---|---|---|---|
| | May 1969 | May 1973 | April 1977 | May 1969 | May 1973 | April 1977 |
| **SEX OF INSURED** | | | | | | |
| Male | 78.8 | 77.0 | 75.4 | 91.1 | 89.2 | 88.6 |
| Female | 21.2 | 23.0 | 24.6 | 8.9 | 10.8 | 11.4 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **AGE OF INSURED AT DEATH** | | | | | | |
| Under 25 | 4.0 | 3.4 | 3.0 | 4.1 | 3.4 | 3.2 |
| 25-34 | 2.0 | 2.5 | 2.5 | 4.2 | 5.5 | 6.0 |
| 35-44 | 4.7 | 4.3 | 3.7 | 8.4 | 9.2 | 8.7 |
| 45-54 | 12.2 | 11.8 | 10.5 | 18.7 | 18.2 | 17.5 |
| 55-64 | 24.4 | 23.3 | 21.7 | 25.5 | 24.5 | 25.1 |
| 65-74 | 26.9 | 27.2 | 28.0 | 19.8 | 21.7 | 21.4 |
| 75 or Older | 25.8 | 27.5 | 30.6 | 19.3 | 17.5 | 18.1 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **RELATIONSHIP OF BENEFICIARY TO INSURED** | | | | | | |
| Husband | 8.2 | 8.6 | 9.1 | 3.2 | 3.9 | 4.4 |
| Wife | 54.1 | 51.5 | 52.0 | 57.9 | 54.1 | 58.2 |
| Child or Children | 16.1 | 17.7 | 18.0 | 9.5 | 11.0 | 10.6 |
| Other Relatives | 12.0 | 11.6 | 10.9 | 9.4 | 7.8 | 8.3 |
| Estate or Trust | 5.9 | 6.9 | 6.3 | 9.7 | 9.7 | 9.0 |
| Institution | .6 | .6 | .6 | 1.4 | 1.7 | 1.4 |
| All Other | 3.1 | 3.1 | 3.1 | 8.9 | 11.8 | 8.1 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **DURATION OF POLICY WHEN IT BECAME A CLAIM** | | | | | | |
| Less Than 1 Year | 1.8 | 1.9 | 1.5 | 3.4 | 4.2 | 3.8 |
| 1 to 5 Years | 7.4 | 7.0 | 6.2 | 13.6 | 14.2 | 15.2 |
| 5 to 10 Years | 9.7 | 9.0 | 8.5 | 14.7 | 15.2 | 16.2 |
| 10 to 20 Years | 18.2 | 20.1 | 21.1 | 22.4 | 23.2 | 24.1 |
| 20 to 30 Years | 20.3 | 17.0 | 16.6 | 16.6 | 15.3 | 15.5 |
| 30 Years or More | 42.6 | 45.0 | 46.1 | 29.3 | 27.9 | 25.2 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **SEX OF BENEFICIARY** | | | | | | |
| Male | 19.3 | 20.3 | 19.4 | 12.2 | 12.1 | 11.4 |
| Female | 68.7 | 67.3 | 66.7 | 66.3 | 65.1 | 67.6 |
| Both Sexes Represented | 4.4 | 4.6 | 6.0 | 4.6 | 6.2 | 6.0 |
| All Other | 7.6 | 7.8 | 7.9 | 16.9 | 16.6 | 15.0 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **METHOD OF PAYING PROCEEDS** | | | | | | |
| Lump Sum | 94.5 | 95.8 | 97.2 | 89.7 | 93.0 | 93.9 |
| Life Income | 1.0 | .8 | .3 | 1.6 | 1.0 | .5 |
| Annuity Certain | 1.8 | 1.1 | .9 | 3.5 | 2.0 | 1.3 |
| Held at Interest | 2.2 | 1.8 | 1.4 | 4.4 | 3.3 | 4.0 |
| All Other | .5 | .5 | .2 | .8 | .7 | .3 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Note: Figures exclude individual credit life insurance on loans of 10 years' or less duration.

*Source: American Council of Life Insurance.*

## Payments to Policyholders and Annuitants

Although the basic purpose of life insurance is to provide protection against the economic risks of death, it also generates important values for the individual policyholder. Benefits paid during the lifetime of the policyholder are often called living benefits.

Payments to life insurance policyholders in 1980 totaled $15.0 billion, 53.7% of total life insurance benefit payments in the United States. They consisted of payments from matured endowments, surrender values, disability provisions, and policy dividends.

Matured endowments paid policyholders over $908 million during the year. Disability payments under life insurance policies totaled $592 million, including $359 million in direct income payments to disabled policyholders and $233 million in waived premiums.

Cash surrender values paid on policies terminated voluntarily during the year amounted to nearly $6.7 billion, an increase of 22.0% over the previous year. Although some of the policies were surrendered to meet financial emergencies or in accordance with plans to meet long-term goals, the high inflation and interest rates during 1980 contributed to the unusually large increase in surrender payments.

Dividends to policyholders accounted for 45.3% of all payments to life insurance policyholders in 1980. These policy dividends amounted to nearly $6.8 billion. Dividends represent the return to policyholders of part of the payments they have made on policies sold on a participating basis and reflect the portion that was not needed by the company after payments of claims, additions to reserves and administrative expenses.

Annuitants received $10.2 billion in payments and dividends in 1980, up 35.1% from the $7.5 billion paid in 1979.

Based on an analysis of 1980 life insurance and annuity dividend payments, it is estimated that policyholders used 18% of the policy dividend total to help pay their premiums, left 26% with the life companies at interest, used 38% to buy additional life insurance or annuities, and took 18% in cash. The proportion

### Payments to Life Insurance Policyholders in the United States

| Year | Amount (000) | % of Total Life Insurance Payments | Year | Amount (000) | % of Total Life Insurance Payments |
|---|---|---|---|---|---|
| 1940 | $1,492,800 | 60.0 | 1971 | $ 7,429,000 | 50.0 |
| 1945 | 1,171,300 | 47.8 | 1972 | 7,939,100 | 49.8 |
| 1950 | 1,813,800 | 53.3 | 1973 | 8,708,300 | 50.4 |
| 1955 | 2,641,400 | 54.1 | 1974 | 9,215,600 | 50.9 |
| 1960 | 3,942,000 | 54.1 | 1975 | 9,679,200 | 51.3 |
| 1965 | 5,285,500 | 52.2 | 1976 | 10,598,500 | 52.5 |
| 1966 | 5,687,300 | 52.2 | 1977 | 10,999,000 | 51.9 |
| 1967 | 6,030,300 | 51.6 | 1978 | 11,643,800 | 51.2 |
| 1968 | 6,421,900 | 50.8 | 1979 | 13,071,500 | 52.6 |
| 1969 | 6,846,400 | 50.3 | 1980 | 14,962,800 | 53.7 |
| 1970 | 7,311,700 | 51.0 | | | |

Note: Payments to life insurance policyholders include matured endowments, disability payments, surrender values and policy dividends.

*Source: American Council of Life Insurance.*

## Payments to Annuitants In the United States *(000 Omitted)*

| Year | Amount | Year | Amount |
|---|---|---|---|
| 1940 | $ 176,500 | 1971 | $ 2,324,900 |
| 1945 | 216,400 | 1972 | 2,628,000 |
| 1950 | 327,200 | 1973 | 3,032,500 |
| 1955 | 500,600 | 1974 | 3,351,600 |
| 1960 | 830,400 | 1975 | 3,664,900 |
| 1965 | 1,299,700 | 1976 | 4,419,400 |
| 1966 | 1,436,700 | 1977 | 5,267,300 |
| 1967 | 1,598,000 | 1978 | 5,862,900 |
| 1968 | 1,753,800 | 1979 | 7,548,000 |
| 1969 | 1,920,000 | 1980 | 10,194,900 |
| 1970 | 2,120,400 | | |

Note: Annuity payments include death, surrender, disability and dividend payments.

*Source: American Council of Life Insurance.*

used to purchase additional coverage has been increasing for two decades, whereas the proportion used to pay premiums for existing coverage has declined.

An analysis of benefit payments to holders of matured endowments and of surrender values paid in April 1977 showed that 43% of matured endowment policy proceeds and 79% of the surrender values were paid to insureds under age 65.

Men received 72.4% of the proceeds from matured endowments and 81.4% of the surrender values.

Whereas almost 75% of the proceeds from matured endowments were paid as a lump sum, 97% of the surrender values were paid that way.

## Benefit Payments Under Supplementary Contracts

The role of life insurance in providing security for a family is not necessarily limited to lump sum payment of a policy's proceeds. Settlement options are available from life insurance companies as alternatives to lump sum settlements. Instead of taking the policy's proceeds in cash, many policyholders and beneficiaries have been setting aside millions of dollars in benefits each year under annuity and other plans, or leaving them to draw interest until needed.

During 1980, Americans left $990 million of their life insurance proceeds with life insurance companies under supplementary contracts, compared to $770 million left with the companies the preceding year. Some of the contracts provided a regular income, either for specified periods or for life. With others, the funds were held at interest until called for by the policyholder or beneficiary, with interest being paid to them regularly.

The amount set aside with life companies under supplementary contracts amounted to 5% of all 1980 death payments, matured endowments and surrender value payments under ordinary and group life insurance policies. At the end of the year, the accumulated policy proceeds set aside under supplementary contracts amounted to $9.5 billion, up $10 million from the previous year. Life insurance companies paid out $1.6 billion in income from these accumulated funds during 1980.

## Use of Life Insurance Benefits Under Supplementary Contracts

In the United States *(000 Omitted)*

| Year | Benefits Set Aside | Payments From Accumulated Funds | Year | Benefits Set Aside | Payments From Accumulated Funds |
|---|---|---|---|---|---|
| 1945 ....... | $540 | $ 295 | 1971 ....... | $ 870 | $1,220 |
| 1950 ....... | 680 | 520 | 1972 ....... | 870 | 1,210 |
| 1955 ....... | 780 | 720 | 1973 ....... | 940 | 1,320 |
| 1960 ....... | 760 | 970 | 1974 ....... | 820 | 1,320 |
| 1965 ....... | 920 | 1,110 | 1975 ....... | 910 | 1,280 |
| 1966 ....... | 920 | 1,180 | 1976 ....... | 950 | 1,290 |
| 1967 ....... | 940 | 1,190 | 1977 ....... | 1,080 | 1,340 |
| 1968 ....... | 890 | 1,240 | 1978 ....... | 1,030 | 1,440 |
| 1969 ....... | 840 | 1,310 | 1979 ....... | 770 | 1,490 |
| 1970 ....... | 790 | 1,290 | 1980 ....... | 990 | 1,620 |

*Source: American Council of Life Insurance.*

# Health Insurance Benefit Payments

A large share of private health insurance for Americans is provided by life insurance companies.

Health insurance has become an important aspect of the services of U.S. life companies. They paid $23.0 billion of the health insurance benefits to Americans in 1980, including more than $19.7 billion under group contracts and $3.3 billion under individual policies. Total health benefit payments by life companies have increased rapidly in recent years, rising by 60.9% since 1975. Much of this growth is attributable to the higher insurance benefit levels in the last several years.

Of the 1980 benefit payments, nearly $17.8 billion was for medical expenses, including hospital and surgical expenses; $3.8 billion for loss of income (including accidental death and dismemberment payments); and over $1.4 billion under dental policies.

These statistics do not include disability payments under life insurance policies and health insurance and accidental death and dismemberment payments by casualty and other health insuring companies, Blue Cross/Blue Shield and similar organizations.

## Health Insurance Benefit Payments in the United States

Paid by Life Insurance Companies *(000,000 Omitted)*

| Year | Group | Individual | Total |
|---|---|---|---|
| 1948 | $ 225 | $ 101 | $ 326 |
| 1950 | 375 | 119 | 494 |
| 1955 | 1,064 | 326 | 1,390 |
| 1960 | 2,102 | 531 | 2,633 |
| 1961 | 2,339 | 578 | 2,917 |
| 1962 | 2,603 | 631 | 3,234 |
| 1963 | 2,876 | 709 | 3,585 |
| 1964 | 3,199 | 788 | 3,987 |
| 1965 | 3,572 | 841 | 4,413 |
| 1966 | 3,927 | 1,044 | 4,971 |
| 1967 | 4,306 | 1,046 | 5,352 |
| 1968 | 4,947 | 1,152 | 6,099 |
| 1969 | 5,746 | 1,128 | 6,874 |
| 1970 | 6,840 | 1,368 | 8,208 |
| 1971 | 7,721 | 1,343 | 9,064 |
| 1972 | 8,225 | 1,450 | 9,675 |
| 1973 | 8,820 | 1,480 | 10,300 |
| 1974 | 10,500 | 1,600 | 12,100 |
| 1975 | 12,410 | 1,910 | 14,320 |
| 1976 | 14,090 | 2,070 | 16,160 |
| 1977 | 15,230 | 2,240 | 17,470 |
| 1978 | 15,636 | 3,110 | 18,746 |
| 1979 | 17,525 | 3,068 | 20,593 |
| 1980 | 19,759 | 3,279 | 23,038 |

Note: Figures exclude policy dividends.

*Sources: American Council of Life Insurance and Health Insurance Association of America.*

# MAJOR PENSION AND RETIREMENT PROGRAMS

Half of all full-time workers in commerce and industry in the United States and three-fourths of all government civilian personnel are now enrolled in retirement plans other than Social Security. Included are those enrolled in profit-sharing plans that provide retirement income. The number of participants is estimated to be about 50 million.

The term "coverage" with regard to pension plans differs from its use in life and health insurance. In life and health coverage, there is no difference between persons eligible for benefits and those who receive benefits under the specified conditions. The nature of a retirement contract, however, is such that it is difficult to determine the number of potential beneficiaries in relation to "covered" workers.

Unlike life insurance, which provides instant coverage, a private pension plan provides future benefits that generally are contingent on the employee's age and length of service. Also, dependents and survivors, who have only potential income from the plan, are not counted as covered until they actually begin receiving benefits.

However, as in the case of life and health insurance, an individual may be covered by several plans, usually by fulfilling the vesting qualifications under several plans and/or by having primary coverage and being the spouse of a person who is covered.

### Private Pension Plans

Private pension plans are those established by private agencies including commercial, industrial, labor and service organizations, nonprofit organizations, nonprofit religious, educational and charitable institutions, and those set up by individuals who have no employment-related coverage.

Pension plans may be self-administered, placed with banks or trust companies, or insured with life insurance companies.

At the end of 1980, insured plans covered 26.1 million persons and provided retirement income to 2.6 million individuals.

### Government-administered Plans

Government-administered plans, including those for Federal civilian employees, state and local government employees and railroad workers, covered an estimated 19.9 million persons at year-end 1980. This figure includes some duplication of coverage under more than one plan; some individuals covered by government plans are also covered by one or more private plans and some individuals in the private sector also may have multiple coverage under private plans.

The most comprehensive government retirement program is the Federal Old-Age, Survivors, and Disability Insurance (OASDI) system, also known as Social Security, a national old-age social insurance program created in 1935. Some 162 million persons had Social Security earnings credits at the end of

# Number of Persons Covered by Major Pension And Retirement Programs

In the United States *(000 Omitted)*

| | Private Plans | | Government-Administered Plans | | | |
|---|---|---|---|---|---|---|
| Year | With Life Insurance Companies | Other Private Plans | Railroad Retirement | Federal Civilian Employees† | State and Local Employees | OASI‡ |
| 1940 | 695 | 3,565 | 1,349 | 745 | 1,552 | 22,900 |
| 1945 | 1,470 | 5,240 | 1,846 | 2,928 | 2,008 | 41,070 |
| 1950 | 2,755 | 7,500 | 1,881 | 1,872 | 2,894 | 61,506 |
| 1955 | 4,105 | 12,290 | 1,876 | 2,333 | 3,927 | 74,887 |
| 1960 | 5,475 | 17,540 | 1,654 | 2,703 | 5,160 | 91,496 |
| 1961 | 5,635 | 18,440 | 1,662 | 2,855 | 5,309 | 95,643 |
| 1962 | 5,770 | 19,370 | 1,643 | 2,943 | 5,654 | 97,440 |
| 1963 | 6,060 | 19,990 | 1,664 | 2,985 | 5,940 | 99,320 |
| 1964 | 6,710 | 20,350 | 1,650 | 3,069 | 6,330 | 101,167 |
| 1965 | 7,040 | 21,060 | 1,661 | 3,114 | 6,780 | 103,827 |
| 1966 | 7,835 | 21,710 | 1,666 | 3,322 | 7,210 | 107,438 |
| 1967 | 8,700 | 22,330 | 1,641 | 3,499 | 7,594 | 110,746 |
| 1968 | 9,155 | 22,910 | 1,625 | 3,565 | 8,012 | 113,804 |
| 1969 | 9,920 | 24,410 | 1,620 | 3,627 | 8,303 | 116,904 |
| 1970 | 10,580 | 25,520 | 1,633 | 3,624 | 8,591 | 120,014 |
| 1971 | 10,880 | 26,580 | 1,578 | 3,596 | 9,079 | 122,735 |
| 1972 | 11,545 | 27,400 | 1,575 | 3,739 | 9,563 | 125,549 |
| 1973 | 12,485 | 28,700 | 1,582 | 4,040 | 9,850 | 129,045 |
| 1974 | 13,335 | 29,240 | 1,588 | 4,057 | 10,635 | 132,583 |
| 1975 | 15,190 | 30,300* | 1,564 | 4,171 | 11,230 | 135,744 |
| 1976 | 16,965 | N.A. | 1,572 | 4,210 | 12,290 | 138,633 |
| 1977 | 19,205 | N.A. | 1,567 | 4,292 | 13,124 | 141,596 |
| 1978 | 21,615 | N.A. | 1,580 | 4,380 | 13,540* | 144,260 |
| 1979 | 23,460 | N.A. | 1,567 | 4,398 | 13,700* | 147,178 |
| 1980 | 26,080 | N.A. | 1,532 | 4,459 | 13,900* | 153,634 |

Notes: It is not possible to obtain a total for number of persons covered by pension plans by adding together the figures shown by year. Each series has been derived separately and there are differences in amount of duplication within each series and among the various series and also differences in definition of "coverage" among the series.

Private plans with life insurance companies include persons covered by Keogh plans, tax-sheltered annuities and, after 1974, IRA plans.

Data for "Other Private Plans," compiled by the Social Security Administration exclude plans for the self-employed, those having vested benefits but not presently employed at the firm where benefits were accrued, and also exclude an estimated number who have vested benefits from employment other than from their current employment.

These data represent various dates during the year, since the fiscal years of the plans are not necessarily the same. Trends from year to year within each series are not affected. The number of persons covered include survivors or dependents of deceased workers and beneficiaries as well as retired workers. Retirement arrangements for members of the armed forces, and provisions for veterans pensions, are not included.

N.A. = Not Available.

*Estimated.

†Includes members of the U.S. Civil Service Retirement System, the Tennessee Valley Authority Retirement System, the Foreign Service Retirement System, and the Retirement Plan for Employees of the Federal Reserve System, which includes the Bank Plan and the Board of Governors' plan.

‡Includes living workers insured for retirement and/or survivors benefits, including the self-employed, plus dependents of retired workers and survivors of deceased workers who are receiving periodic benefits.

*Source: Compiled by the American Council of Life Insurance.*

## Assets and Reserves of Major Pension And Retirement Programs

In the United States *(000,000 Omitted)*

| | Private Plans | | Government-Administered Plans | | | |
|---|---|---|---|---|---|---|
| Year | With Life Insurance Companies | Other Private Plans | Railroad Retirement | Federal Civilian Employees* | State and Local Employees | Old-Age, Survivors and Disability Insurance** |
| 1950 ........ | $ 5,600 | $ 6,452 | $2,553 | $ 4,343 | $ 5,154 | $13,721 |
| 1960 ........ | 18,850 | 33,138 | 3,740 | 10,790 | 19,600 | 22,613 |
| 1965 ........ | 27,325 | 59,185 | 3,946 | 16,516 | 33,100 | 19,841 |
| 1966 ........ | 29,425 | 66,170 | 4,074 | 17,619 | 36,900 | 22,308 |
| 1967 ........ | 32,000 | 74,240 | 4,236 | 18,799 | 41,500 | 26,250 |
| 1968 ........ | 34,975 | 83,072 | 4,245 | 20,224 | 46,300 | 28,729 |
| 1969 ........ | 37,900 | 90,579 | 4,347 | 21,600 | 51,800 | 34,182 |
| 1970 ........ | 41,175 | 97,011 | 4,398 | 23,922 | 58,200 | 38,068 |
| 1971 ........ | 46,400 | 106,419 | 4,300 | 26,532 | 64,800 | 40,434 |
| 1972 ........ | 52,300 | 117,530 | 4,100 | 29,978 | 73,400 | 42,775 |
| 1973 ........ | 56,085 | 126,531 | 3,800 | 32,283 | 82,700 | 44,414 |
| 1974 ........ | 60,810 | 133,731 | 3,600 | 35,366 | 92,400 | 45,886 |
| 1975 ........ | 72,210 | 145,166 | 3,100 | 39,248 | 103,700 | 44,342 |
| 1976 ........ | 88,990 | 160,414 | 3,065 | 44,089 | 117,300 | 41,133 |
| 1977 ........ | 101,520 | 181,509 | 2,584 | 50,832 | 130,800 | 35,861 |
| 1978 ........ | 119,110 | 202,237 | 2,787 | 57,677 | 142,573 | 31,746 |
| 1979 ........ | 139,180 | 223,465 | 2,611 | 65,914 | 161,649 | 30,291 |
| 1980 ........ | 165,845 | 256,898 | 2,086 | 75,802 | 185,226 | 26,453 |

Note: Some data are revised. These data are as of various dates during the year, since the fiscal years of the plans are not necessarily the same. Trends from year to year are not affected.

*Includes members of the U.S. Civil Service Retirement System, the Tennessee Valley Retirement System, the Foreign Service Retirement System, and the Retirement System of the Federal Reserve Banks, which includes the Bank Plan and the Board of Governors' Plans.

**Beginning in 1957, assets of Disability Insurance Trust Funds are included. Health and Supplementary Medical Insurance is not included.

*SOURCES: Railroad Retirement Board; Social Security Administration, U.S. Department of Health and Human Services; Securities and Exchange Commission; other administrative agencies and the American Council of Life Insurance.*

1980. Over 137 million of those workers had been in the Social Security program long enough to be fully insured (i.e., if they were to die, the full range of survivor benefits would be available, or if they were then age 62, they would qualify for retirement benefits).

Actuarially-funded retirement systems for civilian employees of the United States government cover 4.5 million persons.

The Railroad Retirement System, the only retirement system administered by the Federal government for a single private industry, covered 1.5 million persons at year-end 1980, including more than 1 million beneficiaries.

State and local government retirement systems covered an estimated 13.9 million persons at the end of 1980.

# Private Pension Plans with Life Insurance Companies

The number of Americans covered by pension plans with life insurance companies totaled 26.1 million at year-end 1980, an increase of 2.6 million over last year. This figure includes retired persons receiving pension benefits, those who have left employment with vested pension credits, and those still actively at work. There is some duplication due to persons being covered under more than one plan.

Pension reserves behind plans with life companies at year-end totaled $165.8 billion, an increase of 19.2% over year-end 1979, and more than four times greater than 10 years ago. These reserves include the funds behind pension plan variable annuities, which are based wholly or in part on equity investments.

Group annuities cover the largest number of persons under pension plans with life insurance companies. The traditional type is the deferred group annuity, under which a paid-up annuity is purchased each year for each employee, with the sum of these benefits paid as monthly income upon retirement. Deposit administration type plans set up a single fund for all employees in the pension group; money is withdrawn to buy an annuity for an employee when he retires. Immediate participation guarantee plans are a variation of this type, with participation in gains or losses from mortality and investments as they occur, rather than being spread over the life of the contract.

Under terminal funded plans, reserves are usually not set up with the insurance company until the employee is about to retire. Funding for the prospective pension prior to retirement may be handled in a variety of ways.

Individual policy pension trusts, group permanent plans, and profit-sharing plans—often used by smaller firms—were in effect for 2.1 million persons. Individual policy pension trusts usually involve the purchase of a whole life or endowment policy for each person to provide retirement benefits. Group permanent plans use whole life or endowment policies on a group basis keyed to retirement. Profit-sharing plans generally provide for an individual fund for each participant annually.

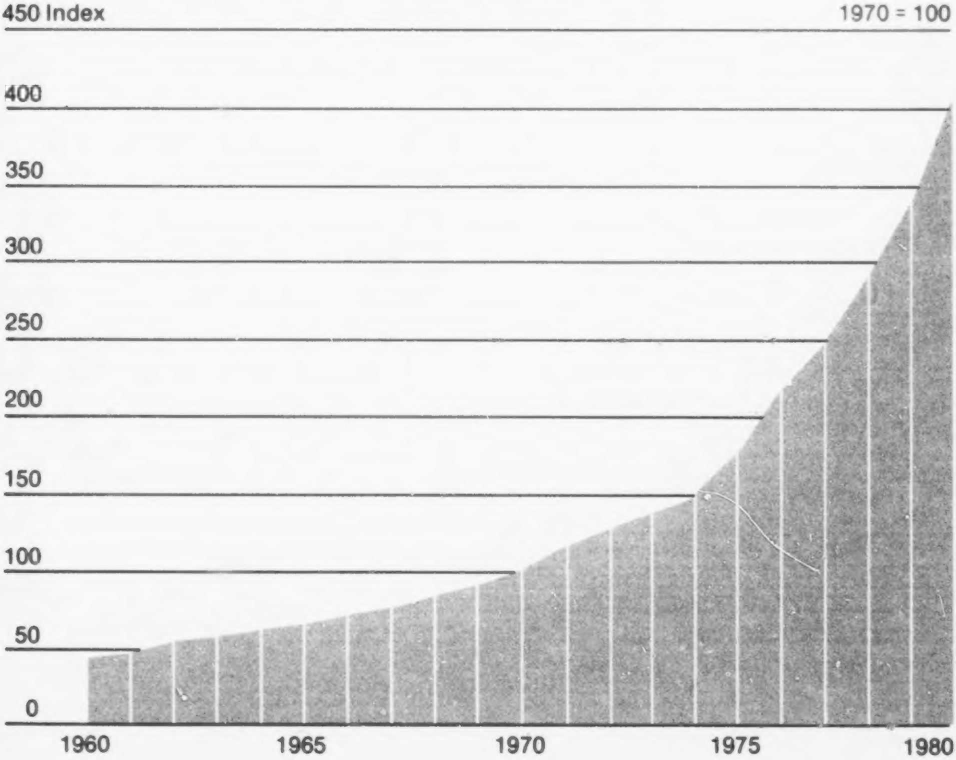
In September 1974, comprehensive Federal pension legislation, the Employee Retirement Income Security Act of 1974 (ERISA), was signed into law. This law relates primarily to private pension and welfare plans, and various sections of the law became effective at different times. One important section which became effective in 1975 allows individuals to set up their own Individual Retirement Accounts (IRAs) if there is no private pension plan where they work. Contributions and accruals are tax free until retirement, with limits set on the annual amount of contributions and penalties set for early withdrawals. By year-end 1980, 1,100,000 persons had set up such plans with life insurance companies, and the average reserve per person was about $2,745. The maximum annual contribution allowed was 15% of salary or wage or $1,500, whichever was less. Beginning in 1977, a nonemployed spouse could be covered, with the maximum IRA contribution rising to $1,750. In 1979, the law was amended to provide for employer contributions of 15% of an employee's salary or $7,500, whichever is less, in lieu of the $1,500 employee contribution.

Another provision of ERISA liberalized Keogh plans by increasing the maximum amount that self-employed persons could set aside for themselves and their employees—from $2,500 to $7,500—so long as this did not exceed 15% of salary. The response to this action can be seen in the increase since 1974 in the number of persons covered under these plans and in the reserves held for them. Tax-sheltered annuities, permitted for use primarily in the academic community and nonprofit organizations, have also shown increases.

In 1980, payments of $5.0 billion were made under life company pension plans to 2.6 million persons. Of this amount, $4.5 billion was paid to 2.3 million persons with group annuity and terminal funded plans, and $425 million to 325,000 persons having individual policy pension trusts, group permanent and other plans. The number of persons receiving payments has more than doubled in the past 10 years, and the total annual payments have more than tripled.

Legislation in most states allows life insurance companies to maintain separate investment accounts for a given pension plan or group of plans. More latitude in equity investments is permitted for separate accounts than for life insurance company investments generally. Pension reserves in separate accounts were $33.4 billion at the end of 1980, an increase of 38.6% over last year. Some of the increase is attributable to increases in the valuation of securities, primarily common stocks, in these accounts.

## Relative Growth in Life Insurance Companies' Pension Reserves in the United States



## Private Pension Plans in the United States With Life Insurance Companies

| | In Force at Year End | | | | | Pension Payments during Year | |
|---|---|---|---|---|---|---|---|
| | Number of Plans | Number of Persons Covered *(000 Omitted)* | Total Reserves Including Separate Accounts *(000,000 Omitted)* | Separate Account Reserves *(000,000 Omitted)* | Payments into Plans in Year *(000,000 Omitted)* | Number of Persons Receiving Payments *(000 Omitted)* | Pension Payments *(000,000 Omitted)* |
| Type of Plan | | | | 1978 | | | |
| Group Annuities† | 76,700 | 15,665 | $ 91,245 | $16,920 | $10,960 | 1,965 | $3,550 |
| Terminal Funded Group Plans | 4,210 | 200 | 3,375 | 60 | 500 | 120 | 220 |
| Individual Policy Pension Trusts‡ | 191,740 | 1,955 | 6,480 | 650 | 1,245 | 125 | 145 |
| HR 10 (Keogh) Plans | — | 465 | 2,040 | 230 | 380 | 10 | 25 |
| Tax-Sheltered Annuities | — | 1,400 | 6,485 | 1,160 | 1,300 | 30 | 55 |
| Individual Retirement Accounts | — | 960 | 1,870 | 80 | 585 | 5 | 10 |
| Other Plans | — | 970 | 7,615 | 240 | 1,120 | 85 | 95 |
| Total | — | 21,615 | $119,110 | $19,340 | $16,090 | 2,340 | $4,100 |
| Type of Plan | | | | 1979 | | | |
| Group Annuities† | 83,610 | 17,085 | $106,015 | $21,410 | $12,165 | 2,025 | $3,715 |
| Terminal Funded Group Plans | 4,800 | 220 | 3,825 | 50 | 390 | 140 | 265 |
| Individual Policy Pension Trusts‡ | 200,950 | 2,005 | 7,090 | 650 | 1,200 | 135 | 165 |
| HR 10 (Keogh) Plans | — | 470 | 2,320 | 270 | 355 | 15 | 30 |
| Tax-Sheltered Annuities | — | 1,640 | 8,355 | 1,390 | 1,605 | 40 | 60 |
| Individual Retirement Accounts | — | 1,050 | 2,465 | 90 | 630 | 5 | 15 |
| Other Plans | — | 990 | 9,110 | 250 | 1,555 | 90 | 100 |
| Total | — | 23,460 | $139,180 | $24,110 | $17,900 | 2,450 | $4,350 |
| Type of Plan | | | | 1980 | | | |
| Group Annuities† | 91,370 | 19,225 | $127,215 | $30,230 | $14,820 | 2,110 | $4,240 |
| Terminal Funded Group Plans | 5,680 | 235 | 4,285 | 90 | 370 | 145 | 295 |
| Individual Policy Pension Trusts‡ | 204,300 | 2,150 | 7,585 | 650 | 1,480 | 135 | 175 |
| HR 10 (Keogh) Plans | — | 480 | 2,510 | 330 | 355 | 15 | 30 |
| Tax-Sheltered Annuities | — | 1,810 | 10,280 | 1,600 | 2,010 | 50 | 80 |
| Individual Retirement Accounts | — | 1 100 | 3,020 | 130 | 700 | 5 | 15 |
| Other Plans | — | 1,080 | 10,950 | 380 | 1,815 | 120 | 125 |
| Total | — | 26,080 | $165,845 | $33,410 | $21,550 | 2,580 | $4,960 |

†Includes Immediate Participation Guarantee and Deposit Administration plans.

‡Includes Group Permanent plans and profit-sharing plans.

*Source: American Council of Life Insurance.*

# LAPSES AND SURRENDERS

The overall voluntary termination rate of ordinary life insurance policies in 1980 was 8.1%. The rate for older policies is significantly lower than for newer ones. The rate for policies in force less than two years was 22.4%; for those in force for two years or longer it was 5.8%.

Policyholders have different reasons for terminating their policies. Sometimes they use cash values to meet a current financial emergency and at times for purposes planned years earlier. In periods of high inflation and interest rates such as in 1975, 1979 and 1980 policy lapsation intensifies. In 1980 a total of $6.7 billion in cash values was paid to owners of life insurance policies. This figure does not include cash values used to obtain paid-up life insurance in a reduced amount or extended coverage for a specified period of time.

Rates of voluntary policy termination by policyholders vary considerably among life insurance companies. Each company's rate depends upon many factors, including the types of policies written and the ratio of new policies to older ones in force with the company.

The life insurance business strongly seeks to minimize the lapsing of policies. For example, the training of agents focuses on realistic identification of the life insurance needs of clients and the careful analysis of the use of family income for protection purposes. Since there is a higher termination rate of policies on which loans are outstanding, companies urge that loans be used only in genuine financial emergencies, and that they be promptly repaid.

Most companies offer policyholders time after delivery of the policy in which to consider whether to keep the policy. These companies will refund the premium in full if, within the prescribed time, the policyholder decides not to keep the policy.

## Voluntary Termination Rate

Ordinary Policies in Force in the United States

| Year | Policies In Force Less Than 2 Years | Policies In Force 2 Years or More | All Policies In Force | Year | Policies In Force Less Than 2 Years | Policies In Force 2 Years or More | All Policies In Force |
|---|---|---|---|---|---|---|---|
| 1951 ..... | 9.4% | 2.2% | 3.2% | 1972 ..... | 19.3% | 3.9% | 6.0% |
| 1955 ..... | 11.4 | 2.5 | 3.8 | 1973 ..... | 18.8 | 4.3 | 6.3 |
| 1960 ..... | 14.5 | 3.7 | 5.2 | 1974 ..... | 19.5 | 4.5 | 6.5 |
| 1965 ..... | 15.4 | 3.5 | 5.1 | 1975 ..... | 20.9 | 4.5 | 6.7 |
| 1966 ..... | 16.2 | 3.5 | 5.2 | 1976 ..... | 19.7 | 4.6 | 6.6 |
| 1967 ..... | 16.5 | 3.6 | 5.2 | 1977 ..... | 19.5 | 4.7 | 6.6 |
| 1968 ..... | 18.0 | 3.7 | 5.5 | 1978 ..... | 19.6 | 4.6 | 6.6 |
| 1969 ..... | 18.3 | 3.7 | 5.6 | 1979 ..... | 21.0 | 5.1 | 7.2 |
| 1970 ..... | 19.3 | 3.9 | 5.9 | 1980 ..... | 22.4 | 5.8 | 8.1 |
| 1971 ..... | 19.0 | 3.9 | 5.8 | | | | |

Note: The rate is the ratio of the number of policies lapsed or surrendered (for cash, extended term or reduced paid-up insurance), less reinstatements, to the mean number of policies in force.

*Source: American Council of Life Insurance.*

# INCOME OF LIFE INSURANCE COMPANIES

Life insurance companies receive funds from two main sources: premiums paid by policyholders and earnings on investments.

There is a close relationship between these income elements. Part of each premium payment becomes available for investment in the nation's economy. In calculating premiums, the anticipated investment earnings are taken into account, thereby reducing the price of life insurance to policyholders.

In 1980 total income of all U.S. life companies was $132.5 billion; 71% was from premium receipts and 26% from investment earnings. The remaining 3% came from other sources, mainly considerations (payments) for supplementary contracts.

Premium receipts and annuity considerations totaled $94.2 billion. Americans spent the equivalent of 3.56% of total disposable personal income in 1980 for life insurance and annuities, compared with 3.47% during 1979.

## Income of U.S. Life Insurance Companies

*(000,000 Omitted)*

| | Premium Receipts | | | | | | |
|---|---|---|---|---|---|---|---|
| Year | Life Insurance Premiums | Annuity Considerations | Health Insurance Premiums* | Total Premium Receipts | Investment Income** | Other Income† | Total Income |
| 1911 ....... | $ 626 | $ 4 | — | $ 630 | $ 182 | $ 24 | $ 836 |
| 1915 ....... | 776 | 6 | — | 782 | 241 | 20 | 1,043 |
| 1920 ....... | 1,374 | 7 | — | 1,381 | 341 | 42 | 1,764 |
| 1925 ....... | 2,340 | 38 | — | 2,378 | 551 | 89 | 3,018 |
| 1930 ....... | 3,416 | 101 | — | 3,517 | 891 | 186 | 4,594 |
| 1935 ....... | 3,182 | 491 | — | 3,673 | 1,013 | 386 | 5,072 |
| 1940 ....... | 3,501 | 386 | — | 3,887 | 1,231 | 540 | 5,658 |
| 1945 ....... | 4,589 | 570 | — | 5,159 | 1,445 | 1,070 | 7,674 |
| 1950 ....... | 6,249 | 939 | $ 1,001 | 8,189 | 2,075 | 1,073 | 11,337 |
| 1955 ....... | 8,903 | 1,288 | 2,355 | 12,546 | 2,801 | 1,197 | 16,544 |
| 1960 ....... | 11,998 | 1,341 | 4,026 | 17,365 | 4,304 | 1,338 | 23,007 |
| 1965 ....... | 16,083 | 2,260 | 6,261 | 24,604 | 6,778 | 1,785 | 33,167 |
| 1970 ....... | 21,679 | 3,721 | 11,367 | 36,767 | 10,144 | 2,143 | 49,054 |
| 1971 ....... | 22,935 | 4,910 | 12,897 | 40,742 | 11,031 | 2,429 | 54,202 |
| 1972 ....... | 24,678 | 5,503 | 14,318 | 44,499 | 12,127 | 2,222 | 58,848 |
| 1973 ....... | 26,373 | 6,771 | 15,524 | 48,668 | 13,670 | 2,415 | 64,753 |
| 1974 ....... | 27,750 | 7,737 | 17,123 | 52,610 | 15,144 | 2,256 | 70,010 |
| 1975 ....... | 29,336 | 10,165 | 19,074 | 58,575 | 16,488 | 2,959 | 78,022 |
| 1976 ....... | 31,358 | 13,962 | 21,059 | 66,379 | 18,758 | 3,421 | 88,558 |
| 1977 ....... | 33,765 | 14,974 | 23,580 | 72,319 | 21,713 | 3,953 | 97,985 |
| 1978 ....... | 36,592 | 16,339 | 25,829 | 78,760 | 25,294 | 4,152 | 108,206 |
| 1979 ....... | 39,083 | 17,939 | 27,894 | 84,916 | 29,562 | 4,661 | 119,139 |
| 1980 ....... | 40,829 | 24,030 | 29,366 | 94,225 | 33,928 | 4,336 | 132,489 |

Note: Considerations for supplementary contracts with and without life contingencies are included under "Other Income." Prior to 1947, the business of health departments was not included.

*Includes some premiums for Workers' Compensation and auto and other liability insurance.

** Beginning with 1951, investment income is net of investment expenses.

†Beginning in 1975, "Other Income" includes commissions and expense allowance on reinsurance ceded. In 1975, this amounted to $382 million.

*Sources:* Spectator Year Book *and American Council of Life Insurance.*

Over 43% of all premium receipts in 1980 was accounted for by life insurance. This proportion has declined in relation to the income received from annuities and health insurance. In 1960, the proportion was 69%; by 1970 the proportion had dropped to 59%; and in 1979, the proportion was 46%.

## Premium Receipts

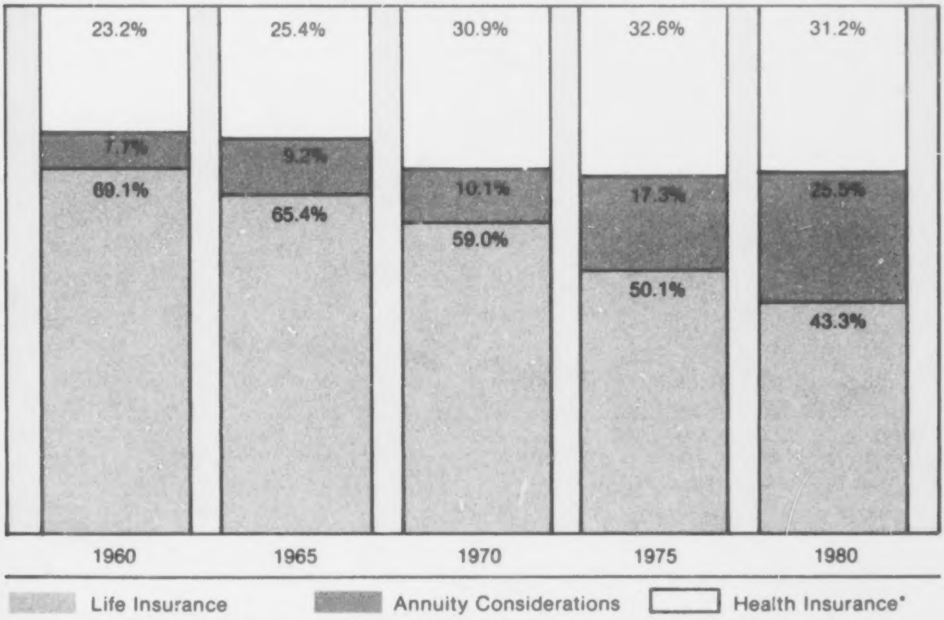
U.S. Life Insurance Companies *(000,000 Omitted)*

| | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| LIFE INSURANCE PREMIUMS | | | | | |
| Ordinary | $22,492 | $24,161 | $26,341 | $27,970 | $29,463 |
| Group | 6,218 | 6,855 | 7,285 | 8,007 | 8,508 |
| Industrial | 1,355 | 1,299 | 1,280 | 1,320 | 1,323 |
| Credit | 1,293 | 1,450 | 1,686 | 1,786 | 1,535 |
| Total Life Insurance Premiums | 31,358 | 33,765 | 36,592 | 39,083 | 40,829 |
| ANNUITY CONSIDERATIONS | | | | | |
| Individual | 3,713 | 4,552 | 4,454 | 4,976 | 6,504 |
| Group | 10,249 | 10,422 | 11,885 | 12,963 | 17,526 |
| Total Annuity Considerations | 13,962 | 14,974 | 16,339 | 17,939 | 24,030 |
| HEALTH INSURANCE PREMIUMS | | | | | |
| Individual | 4,637 | 5,009 | 5,505 | 6,081 | 6,366 |
| Group | 15,646 | 17,741 | 19,382 | 20,838 | 22,262 |
| Credit | 776 | 830 | 942 | 975 | 738 |
| Total Health Insurance Premiums | 21,059 | 23,580 | 25,829 | 27,894 | 29,366 |
| Total Premium Receipts | $66,379 | $72,319 | $78,760 | $84,916 | $94,225 |

Note: Credit life insurance is limited to insurance on loans of 10 years' or less duration.

*Source: American Council of Life Insurance.*

## Distribution of Premium Receipts of U.S. Life Insurance Companies



*Includes some premiums for Workers' Compensation and auto and other liability insurance.

## Ratio of Premiums and Annuity Considerations to Disposable Personal Income

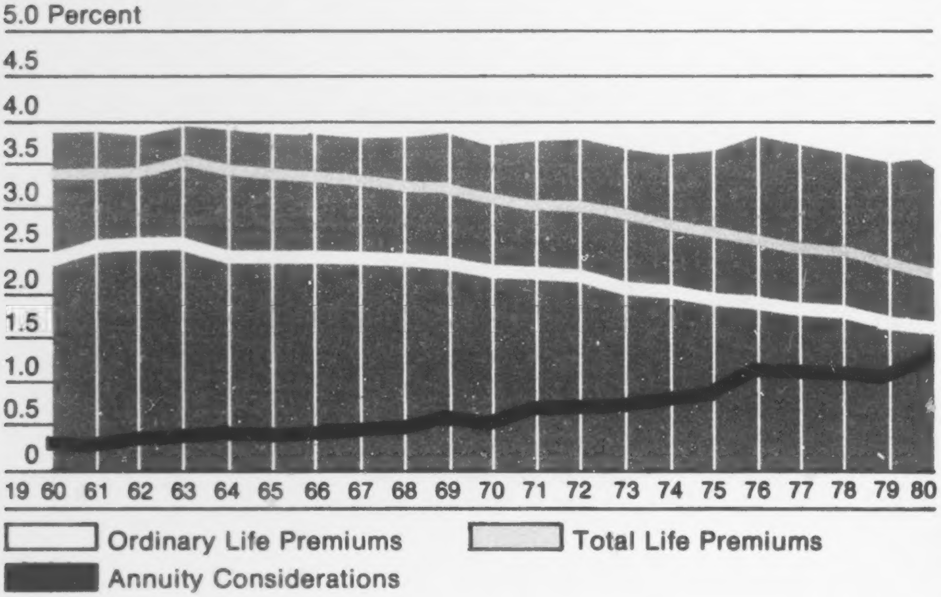
| Year | Ordinary Life Premiums | Total Life Insurance Premiums | Annuity Considerations | Total |
|---|---|---|---|---|
| 1929 ............ | N.A. | 3.95% | .11% | 4.06% |
| 1930 ............ | N.A. | 4.63 | .14 | 4.76 |
| 1935 ............ | N.A. | 5.44 | .93 | 6.37 |
| 1940 ............ | 3.36% | 4.65 | .51 | 5.16 |
| 1945 ............ | 2.18 | 3.08 | .38 | 3.46 |
| 1950 ............ | 2.17 | 3.02 | .45 | 3.48 |
| 1955 ............ | 2.27 | 3.24 | .47 | 3.71 |
| 1960 ............ | 2.46 | 3.41 | .38 | 3.79 |
| 1965 ............ | 2.46 | 3.38 | .48 | 3.86 |
| 1970 ............ | 2.25 | 3.12 | .54 | 3.65 |
| 1971 ............ | 2.20 | 3.05 | .65 | 3.70 |
| 1972 ............ | 2.18 | 3.05 | .68 | 3.72 |
| 1973 ............ | 2.05 | 2.88 | .74 | 3.62 |
| 1974 ............ | 1.99 | 2.78 | .77 | 3.55 |
| 1975 ............ | 1.92 | 2.68 | .93 | 3.60 |
| 1976 ............ | 1.88 | 2.63 | 1.17 | 3.79 |
| 1977 ............ | 1.84 | 2.57 | 1.14 | 3.72 |
| 1978 ............ | 1.80 | 2.50 | 1.12 | 3.62 |
| 1979 ............ | 1.70 | 2.38 | 1.09 | 3.47 |
| 1980 ............ | 1.62 | 2.24 | 1.32 | 3.56 |

Note: Data are revised. Credit life premiums were included in the "Ordinary Life" category in years prior to 1973. Beginning with 1973, credit life insurance premiums on loans of 10 years' or less duration are excluded. The sum of "Total Life Insurance Premiums" and "Annuity Considerations" may not add to "Total" in some cases, due to rounding.

N.A.—Not available.

*Sources: U.S. Department of Commerce,* Spectator Year Book *and American Council of Life Insurance.*

## Ratio of Premiums to Disposable Personal Income



Ordinary policy premiums accounted for $29.5 billion, or 72% of the life insurance premiums in 1980. Most ordinary premiums, 77%, were renewals. Group insurance premiums amounted to $8.5 billion, or 21%, while industrial premiums accounted for $1.3 billion, or 3%. Credit life premiums totaled $1.5 billion, or 4%.

Annuity considerations totaled $24.0 billion, or 26% of total premium income in 1980. These payments have grown rapidly as a proportion of total premium receipts, especially since enactment of the Federal pension legislation in 1974. In 1960, the proportion was 8%, and by 1970 it grew to 10%. Significant increases in 1975 and 1976 were due primarily to large inflows of funds for group annuity contracts and for new issues of individual annuities. The amount of first-year considerations for individual annuities in 1980 was $839 million. Total considerations were equal to 1.32% of disposable personal income in 1980, compared with 1.09% in 1979.

Health insurance premiums accounted for $29.4 billion, or 31% of total premiums in 1980, the same percentage as 10 years earlier.

## Ordinary Life Insurance Premium Receipts

U.S. Life Insurance Companies *(000,000 Omitted)*

| | First Year | Single | Renewal | Total |
|---|---|---|---|---|
| 1969 ............ | $1,758 | $ 784 | $12,291 | $14,833 |
| 1970 ............ | 1,869 | 843 | 12,951 | 15,663 |
| 1971 ............ | 1,985 | 955 | 13,627 | 16,567 |
| 1972 ............ | 2,196 | 1,087 | 14,418 | 17,701 |
| 1973 ............ | 2,380 | 1,033 | 15,345 | 18,758 |
| 1974 ............ | 2,575 | 1,136 | 16,112 | 19,823 |
| 1975 ............ | 2,705 | 1,244 | 17,083 | 21,032 |
| 1976 ............ | 3,034 | 1,359 | 18,099 | 22,492 |
| 1977 ............ | 3,314 | 1,482 | 19,365 | 24,161 |
| 1978 ............ | 3,668 | 1,730 | 20,943 | 26,341 |
| 1979 ............ | 4,019 | 1,851 | 22,100 | 27,970 |
| 1980 ............ | 4,520 | 2,183 | 22,760 | 29,463 |

Note: Credit life premiums were included in data for 1969-1972. Beginning with 1973, credit life insurance premiums on loans of 10 years' or less duration are excluded.

*Source: American Council of Life Insurance. Premium information on a slightly different basis was collected for the years 1957-1968 by the Life Insurance Marketing and Research Association.*

## Premium Receipts of U.S. Life Insurance Companies by State *(000,000 Omitted)*

| | 1978 | | 1979 | | 1980 | |
|---|---|---|---|---|---|---|
| | Life | Health | Life | Health | Life | Health |
| Alabama | $ 599 | $ 390 | $ 634 | $ 424 | $ 648 | $ 456 |
| Alaska | 52 | 44 | 54 | 44 | 58 | 48 |
| Arizona | 380 | 353 | 376 | 402 | 406 | 421 |
| Arkansas | 228 | 184 | 244 | 185 | 257 | 202 |
| California | 2,957 | 2,901 | 3,216 | 3,165 | 3,385 | 3,228 |
| Colorado | 435 | 308 | 492 | 352 | 527 | 376 |
| Connecticut | 553 | 457 | 607 | 465 | 646 | 450 |
| Delaware | 117 | 60 | 132 | 70 | 145 | 71 |
| D.C. | 138 | 148 | 163 | 171 | 170 | 178 |
| Florida | 1,289 | 1,130 | 1,419 | 1,235 | 1,528 | 1,332 |
| Georgia | 838 | 718 | 898 | 740 | 928 | 764 |
| Hawaii | 159 | 47 | 174 | 53 | 186 | 58 |
| Idaho | 117 | 82 | 125 | 83 | 130 | 81 |
| Illinois | 2,017 | 1,770 | 2,128 | 1,980 | 2,205 | 2,076 |
| Indiana | 859 | 701 | 908 | 745 | 954 | 768 |
| Iowa | 497 | 319 | 545 | 354 | 577 | 381 |
| Kansas | 376 | 227 | 402 | 249 | 427 | 259 |
| Kentucky | 430 | 282 | 462 | 305 | 475 | 312 |
| Louisiana | 628 | 449 | 688 | 517 | 742 | 560 |
| Maine | 133 | 90 | 145 | 105 | 150 | 112 |
| Maryland | 657 | 365 | 689 | 378 | 721 | 409 |
| Massachusetts | 807 | 528 | 869 | 544 | 918 | 575 |
| Michigan | 1,301 | 1,164 | 1,380 | 1,285 | 1,431 | 1,319 |
| Minnesota | 565 | 519 | 599 | 543 | 628 | 537 |
| Mississippi | 273 | 271 | 299 | 289 | 310 | 312 |
| Missouri | 739 | 621 | 792 | 688 | 820 | 745 |
| Montana | 102 | 82 | 109 | 86 | 114 | 88 |
| Nebraska | 278 | 196 | 305 | 224 | 321 | 245 |
| Nevada | 108 | 124 | 112 | 133 | 123 | 146 |
| New Hampshire | 123 | 66 | 134 | 75 | 144 | 76 |
| New Jersey | 1,362 | 776 | 1,373 | 827 | 1,450 | 841 |
| New Mexico | 155 | 128 | 172 | 139 | 177 | 144 |
| New York | 2,862 | 1,857 | 2,979 | 1,994 | 3,133 | 2,011 |
| North Carolina | 826 | 567 | 910 | 636 | 955 | 654 |
| North Dakota | 93 | 50 | 100 | 58 | 105 | 56 |
| Ohio | 1,756 | 1,314 | 1,842 | 1,414 | 1,906 | 1,461 |
| Oklahoma | 386 | 300 | 426 | 338 | 455 | 374 |
| Oregon | 308 | 262 | 337 | 269 | 354 | 276 |
| Pennsylvania | 1,864 | 1,045 | 1,966 | 1,087 | 2,040 | 1,097 |
| Rhode Island | 158 | 48 | 167 | 49 | 178 | 53 |
| South Carolina | 425 | 292 | 465 | 314 | 480 | 309 |
| South Dakota | 99 | 85 | 108 | 91 | 112 | 99 |
| Tennessee | 659 | 505 | 707 | 539 | 710 | 565 |
| Texas | 1,950 | 1,849 | 2,120 | 2,065 | 2,286 | 2,238 |
| Utah | 164 | 118 | 182 | 138 | 190 | 139 |
| Vermont | 65 | 45 | 70 | 47 | 74 | 41 |
| Virginia | 810 | 475 | 654 | 482 | 883 | 494 |
| Washington | 479 | 334 | 525 | 348 | 550 | 366 |
| West Virginia | 232 | 190 | 250 | 216 | 257 | 210 |
| Wisconsin | 655 | 501 | 702 | 582 | 722 | 601 |
| Wyoming | 62 | 47 | 66 | 55 | 73 | 62 |
| TOTAL U.S. | $33,125 | $25,384 | $35,421 | $27,577 | $37,164 | $28,676 |

*Source: American Council of Life Insurance.*

## Earning Rate

The net rate of investment income on invested assets of life insurance companies rose to 8.02% in 1980 from 7.73% in 1979. This rate is an annual average based on aggregates of all U.S. life insurance companies after investment expenses but before Federal income taxes.

Investment income is primarily interest income on bonds owned and loans made, dividends on stock and rent on real estate owned. Capital gains and losses are treated as direct changes in surplus and are not considered as investment income.

The increase of 29 basis points in the rate of investment income in 1980 as compared to 1979 was well below the 42 basis points increase in 1978 and 1979. Although interest rates in 1980 followed the general pattern of higher interest rates since 1947, many life insurance companies found it necessary, because of the policy loan experience during 1980, to borrow funds to meet forward investment commitments. Interest paid on the borrowed funds is deducted from investment income, yielding a lower rate of return on invested assets.

Many life companies maintain separate investment accounts for various life insurance and retirement plans. At year-end 1980, 49% of the investments in these separate accounts were holdings of common stocks. The 1980 earning rate includes investment earnings of separate accounts but not their capital gains and losses. (Capital gains and losses are included in the calculation of the separate account earning rate in the statutory annual statement, but are excluded here for consistency with the general account rate.) If separate accounts were excluded, the rate would be 8.06%, indicating the lower income on equity-type investments. Life companies do not hold these investments primarily for current income but for capital appreciation.

## Net Rate of Investment Income

U.S. Life Insurance Companies

| Year | Rate | Year | Rate |
|---|---|---|---|
| 1915 | 4.77% | 1940 | 3.45% |
| 1920 | 4.83 | 1945 | 3.11 |
| 1925 | 5.11 | 1950 | 3.13 |
| 1930 | 5.05 | 1955 | 3.51 |
| 1935 | 3.70 | 1960 | 4.11 |

| | Rate | | | Rate | |
|---|---|---|---|---|---|
| | Including Separate Accounts | Excluding Separate Accounts | | Including Separate Accounts | Excluding Separate Accounts |
| 1965 | 4.61% | 4.61% | 1973 | 5.88% | 6.00% |
| 1966 | 4.73 | 4.73 | 1974 | 6.25 | 6.31 |
| 1967 | 4.82 | 4.83 | 1975 | 6.36 | 6.44 |
| 1968 | 4.95 | 4.97 | 1976 | 6.55 | 6.68 |
| 1969 | 5.12 | 5.15 | 1977 | 6.89 | 7.00 |
| 1970 | 5.30 | 5.34 | 1978 | 7.31 | 7.39 |
| 1971 | 5.44 | 5.52 | 1979 | 7.73 | 7.78 |
| 1972 | 5.56 | 5.69 | 1980 | 8.02 | 8.06 |

Note: The net rate of investment income is calculated using industry aggregates, and represents the ratio of (1) net investment income to (2) mean invested assets (including cash) less half the net investment income. Before 1940, some Federal income taxes were deducted from net investment income; beginning with 1940, the rates are calculated before deducting any Federal income taxes.

*Source: American Council of Life Insurance.*

# THE LIFE INSURANCE DOLLAR

The financial transactions of life insurance companies may be best summarized if expressed in terms of a single dollar of income received and expended. This composite dollar represents the total for the business as a whole, and the pattern will be different for individual companies or groups of companies, depending on types of business written, age and type of company and many other factors.

The major proportion of each composite dollar of income received by U.S. life insurance companies is accounted for by premiums and annuity considerations. In 1980 premiums paid for life and health insurance policies and payments for annuities accounted for 73.0 cents. The remainder of the composite dollar consisted chiefly of earnings on investments and accounted for 27.0 cents.

These proportions vary significantly by each line of business. The major share for all lines comes from premiums, but for the life insurance and annuity lines a large proportion comes from investment earnings. Data for 1975 (the latest year for which information is available) show that investment earnings accounted for 27.2 cents of each life insurance income dollar and 31.4 cents of each annuity income dollar.

The proportions of premium income and investment earnings vary significantly by type of life insurance company. For mutual companies the proportion

## Life Insurance Company Dollar 1980

U.S. Life Insurance Companies

| | |
|---|---|
| INCOME | |
| Premiums | 73.0¢ |
| Net Investment Earnings and Other Income | 27.0 |
| | 100.0¢ |
| HOW USED | |
| Benefit Payments and Additions to Funds for Policyholders and Beneficiaries | |
| Benefit Payments in Year | 49.4¢ |
| Additions to Policy Reserve Funds | 28.0 |
| Additions to Special Reserves and Surplus Funds | 2.9 |
| | 80.3 |
| Operating Expenses | |
| Commissions to Agents | 5.7 |
| Home and Field Office Expenses | 9.5 |
| | 15.2 |
| Taxes | 3.4 |
| Dividends to Stockholders of Stock Life Insurance Companies | 1.1* |
| | 100.0¢ |

Note: Certain offsetting items such as considerations for supplementary contracts are excluded, so that the total used ($127,862 million) differs from that shown on page 56. Direct investment taxes (such as real estate) are excluded from taxes and are deducted, with other investment expenses, from investment income. Federal income taxes, however, are included in taxes.

*For stock companies only this ratio would be 2.2¢ per dollar.

*Source: American Council of Life Insurance.*

of the company dollar represented by insurance premiums and annuity considerations was 67.5 cents in 1980 and investment earnings and other income accounted for 32.5 cents. For stock companies, insurance premiums and payments for annuities accounted for 78.1 cents of the combined company dollar, while the balance, chiefly investment earnings, represented 21.9 cents.

Portions of premium income and investment earnings also differ by size of company. Larger companies generally receive a greater share of their income dollar from investment income.

In 1980 mutual life insurance companies with $500 million or more in assets as of 1970 received 66.9 cents of their income dollar from premiums and 33.1 cents from investment earnings and other income; whereas mutual companies with under $500 million in assets as of 1970, received 74.2 cents from premiums and 25.8 cents from investments and other income.

For stock life insurance companies, the proportion of the 1980 income dollar represented by premiums and annuity considerations was 73.2 cents for companies with assets of $500 million or more as of 1970 and 81.8 cents for companies with under $500 million in assets as of 1970.

Of the 1980 industry outgo dollar, 80.3 cents was assigned to meet current or future obligations. That included 49.4 cents paid in benefits to policyholders or to beneficiaries during the year, 28.0 cents added to policy reserves for future benefit payments and 2.9 cents added to special reserves and surplus funds. Current benefits were 49.4 cents of the mutual company outgo dollar in 1980 compared with 49.3 cents of the stock company dollar.

The outgo dollar also varies by major line of business. For the life insurance line, one-half of the income in 1975 (the latest year for which data are available) was needed for benefits and one-fifth was added to reserves. The annuity line set aside two-thirds for reserves, while the health line needed three-fourths of income to meet current obligations and pay policy dividends.

Operating expenses based on industry aggregates declined from the previous year to 15.2 cents. This proportion had remained about the same for several decades, and its decline during the past five years reflects the expansion of the annuity field. Annuities have lower sales expenses. Included in the 1980 figure were 9.5 cents for expenses of home and field offices and 5.7 cents for commissions to agents.

The expense share, as measured by this analysis, applies to the entire life insurance business, and not to any single company. The proportions vary widely among companies, depending on such factors as the types of coverage offered by a given company and its ratio of recently issued insurance to its total insurance in force. Expenses are relatively higher for new policies because the initial costs of issuing and selling a policy are higher than those of maintaining older policies.

A total of 3.4 cents was used for taxes (not including taxes directly connected with investment, such as real estate taxes). More than half of this total was set aside for Federal income taxes. On an overall dollar basis, stock dividends to shareholders amounted to 1.1 cents. For mutual life insurance companies, of course, this amounted to zero; for stock life companies, dividends to shareholders amounted to 2.2 cents of the outgo dollar.

# TAXES

U.S. life insurance companies incurred Federal, state and local government taxes, licenses and fees of $4.8 billion on their 1980 operations. Most of the taxes incurred on life company operations in 1980 were also paid in that year, but some were carried over to 1981.

Federal income taxes, based on total income from investment earnings and general operations, were the major portion of total taxes incurred in 1980. Federal income taxes have increased sharply under the Life Insurance Company Income Tax Act of 1959, which first applied to the year 1958. Federal income taxes incurred on 1957 operations were $294 million, and on 1958 operations, $455 million. By 1980 Federal income taxes were $2.6 billion, some 53% of taxes incurred by U.S. life insurance companies.

The decline in the total Federal tax bill of life insurance companies for 1980 reflects in large measure the increased use of a tax election in the Internal Revenue Code available to companies making use of certain reinsurance transactions.

The second largest item in the life companies' tax bill consisted of state premium taxes, which amounted to $1.2 billion for 1980, or 24% of the total.

The life insurance companies' share of Social Security taxes rose to $493 million in 1980, and accounted for 10% of the total. Real estate taxes were $317 million, or 7%. Other taxes, licenses and fees were 6% of the total, amounting to $306 million.

## Taxes, Licenses and Fees of U.S. Life Insurance Companies *(000,000 Omitted)*

| Year | State Taxes on Premiums | Federal Social Security Taxes | Federal Income Taxes | Real Estate Taxes | Other Taxes, Licenses and Fees | Total |
|---|---|---|---|---|---|---|
| 1947 | $ 100 | $ 7 | $ 23 | $ 17 | $ 20 | $ 167 |
| 1950 | 123 | 12 | 20 | 27 | 23 | 205 |
| 1955 | 189 | 26 | 189 | 39 | 29 | 472 |
| 1960 | 270 | 53 | 479 | 68 | 50 | 920 |
| 1965 | 396 | 77 | 741 | 98 | 63 | 1,375 |
| 1966 | 424 | 106 | 883 | 103 | 65 | 1,581 |
| 1967 | 438 | 117 | 1,040 | 110 | 66 | 1,771 |
| 1968 | 464 | 131 | 1,174 | 121 | 70 | 1,960 |
| 1969 | 541 | 148 | 1,237 | 132 | 75 | 2,133 |
| 1970 | 568 | 159 | 1,232 | 149 | 96 | 2,204 |
| 1971 | 660 | 178 | 1,451 | 172 | 121 | 2,582 |
| 1972 | 708 | 198 | 1,544 | 198 | 142 | 2,790 |
| 1973 | 766 | 249 | 1,803 | 207 | 157 | 3,182 |
| 1974 | 785 | 280 | 1,915 | 224 | 174 | 3,378 |
| 1975 | 840 | 299 | 1,910 | 282 | 188 | 3,519 |
| 1976 | 914 | 321 | 2,209 | 291 | 219 | 3,954 |
| 1977 | 1,000 | 345 | 2,526 | 312 | 248 | 4,431 |
| 1978 | 1,077 | 389 | 2,994 | 336 | 282 | 5,078 |
| 1979 | 1,131 | 449 | 3,269 | 286 | 331 | 5,466 |
| 1980 | 1,177 | 493 | 2,551 | 317 | 306 | 4,844 |

Note: Before 1972, taxes, licenses and fees shown are on a paid basis. Beginning with 1972, these items are on an incurred basis.

*Source: American Council of Life Insurance.*

# RESERVES AND OTHER OBLIGATIONS

Policy reserves of U.S. life insurance companies totaled $390.3 billion at the end of 1980. These reserves represent the funds set aside to meet the companies' future obligations to policyholders and their beneficiaries.

Each company is required by state law to maintain its policy reserves at a level that will assure payment of all policy obligations as they fall due. The amount is calculated on an actuarial basis, taking into account the funds forthcoming from future premium payments, assumed future interest earnings and expected mortality experience.

Total reserves of the life companies at the end of 1980 included $197.9 billion for life insurance policies, $11.0 billion for health insurance policies and over $181.4 billion for annuities and supplementary contracts involving both lifetime payments and payments that are for specified periods or in designated amounts.

Life insurance policy reserves consisted of $175.3 billion for ordinary life policies, over $8.8 billion for group policies, $12.6 billion for industrial life policies, and $1.2 billion for credit life policies.

## Policy Reserves

U.S. Life Insurance Companies *(000,000 Omitted)*

| Year | Amount | Year | Amount | Year | Amount | Year | Amount |
|---|---|---|---|---|---|---|---|
| 1890 | $ 670 | 1910 | $3,226 | 1925 | $ 9,927 | 1940 | $27,238 |
| 1900 | 1,443 | 1915 | 4,399 | 1930 | 16,231 | 1945 | 38,667 |
| 1905 | 2,295 | 1920 | 6,338 | 1935 | 20,404 | 1950 | 54,946 |

| | | | Annuities | | | | |
|---|---|---|---|---|---|---|---|
| Year | Life Insurance | Health Insurance | Individual | Group | Supplementary Contracts With Life Contingencies | Supplementary Contracts Without Life Contingencies | Total |
| 1955 | $ 54,588 | $ 575 | * | $ 13,216 | $1,895 | $5,085 | $ 75,359 |
| 1960 | 70,791 | 865 | $ 4,327 | 14,952 | 2,674 | 4,864 | 98,473 |
| 1965 | 90,795 | 1,432 | 5,028 | 22,187 | 3,281 | 4,897 | 127,620 |
| 1966 | 95,316 | 1,836 | 5,340 | 24,029 | 3,381 | 4,809 | 134,711 |
| 1967 | 100,103 | 2,144 | 5,746 | 26,193 | 3,483 | 4,749 | 142,418 |
| 1968 | 104,910 | 2,472 | 6,264 | 28,434 | 3,610 | 4,618 | 150,308 |
| 1969 | 110,041 | 2,879 | 6,348 | 31,213 | 3,665 | 4,404 | 158,550 |
| 1970 | 115,442 | 3,474 | 6,951 | 34,009 | 3,726 | 4,177 | 167,779 |
| 1971 | 121,585 | 3,892 | 7,655 | 38,476 | 3,905 | 4,136 | 179,649 |
| 1972 | 128,257 | 4,347 | 8,560 | 43,503 | 3,937 | 4,155 | 192,759 |
| 1973 | 135,292 | 4,910 | 9,482 | 46,607 | 4,066 | 4,164 | 204,521 |
| 1974 | 142,273 | 5,607 | 10,511 | 49,861 | 4,176 | 4,079 | 216,507 |
| 1975 | 150,063 | 6,293 | 12,442 | 59,907 | 4,280 | 4,131 | 237,116 |
| 1976 | 158,359 | 6,962 | 15,347 | 73,393 | 4,410 | 4,304 | 262,775 |
| 1977 | 167,281 | 8,329 | 18,932 | 84,285 | 4,563 | 4,542 | 287,932 |
| 1978 | 177,743 | 9,596 | 23,057 | 98,673 | 4,751 | 4,663 | 318,483 |
| 1979 | 188,177 | 10,416 | 27,103 | 116,443 | 4,985 | 4,513 | 351,637 |
| 1980 | 197,865 | 11,015 | 31,543 | 140,417 | 5,215 | 4,284 | 390,339 |

Note: Before 1947, the business of health insurance departments of life companies was not included in this series.

*Included with "Group Annuities."

*Sources:* Spectator Year Book *and American Council of Life Insurance.*

Annuity reserves consisted of nearly $31.6 billion for individual annuities, $140.4 billion for group annuities and $5.2 billion for life annuities under supplementary contracts with life contingencies.

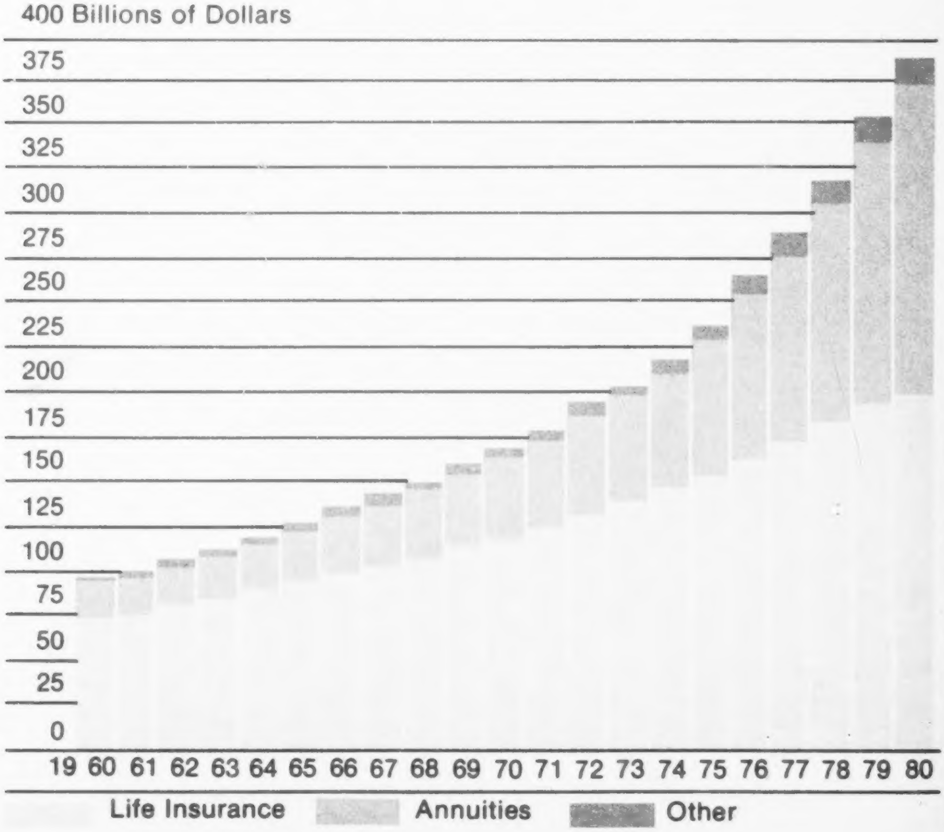
The composition of life company policy reserves has been changing over the years, reflecting a shift in the basic types of business done by life companies. Life insurance policy reserves still account for the major proportion, but it is declining in relation to the proportion of reserves set aside for annuity contracts. In 1960, life insurance reserves were 72% of the total. By 1970, the proportion was 69%, and, by 1980, it had dropped to 51%. In the same period, annuity reserves increased from 22% in 1960 to 27% in 1970 and to 45% at the end of 1980. Most of the increase in annuity reserves is a result of the growth of pension plans administered by life insurance companies.

In addition to policy reserves, other funds of U.S. life insurance companies at the end of 1980 included $12.7 billion in accumulated policy dividends left with the life insurance companies at interest; some $7.7 billion set aside for the following year's policy dividend payments; and $34.1 billion for other obligations such as incurred expenses, mandatory reserves for fluctuations in security values and insurance premiums paid in advance.

Included in reserves and obligations at the end of 1980 was $35.8 billion in separate investment accounts, used for certain types of pension plans and for variable annuities.

## Growth of Policy Reserves

U.S. Life Insurance Companies



Surplus funds amounted to $32.3 billion at the end of 1980. These funds provided extra reserve safeguards for such contingencies as an unexpected rise in death rates among policyholders, for unusual changes in the value of securities, or as general protection for policy obligations. The amount of surplus retained by a life company depends on several factors including the size of the company, kinds of insurance written, mortality experience, general business conditions and government regulation.

Total capital of life insurance companies owned by stockholders was nearly $2.1 billion at the end of 1980. This amount represents the total par value of the shares of the companies' capital stock.

Stock life companies accounted for $150.9 billion, or 39% of the total reserves of all U.S. life insurance companies in 1980. Reserves of mutual life companies amounted to $239.4 billion, or 61% of the total.

## Life Insurance Policy Reserves by Type

U.S. Life Insurance Companies *(000,000 Omitted)*

| Year | Ordinary | Group | Industrial | Credit | Total |
|---|---|---|---|---|---|
| 1956 .......... | $ 47,429 | $ 787 | $ 9,446 | — | $ 57,662 |
| 1960 .......... | 58,897 | 1,267 | 10,627 | — | 70,791 |
| 1965 .......... | 76,865 | 2,011 | 11,919 | — | 90,795 |
| 1970 .......... | 100,076 | 3,093 | 12,273 | — | 115,442 |
| 1971 .......... | 105,782 | 3,429 | 12,374 | — | 121,585 |
| 1972 .......... | 111,931 | 3,957 | 12,369 | — | 128,257 |
| 1973 .......... | 118,332 | 3,985 | 12,374 | $ 601 | 135,292 |
| 1974 .......... | 124,883 | 4,453 | 12,284 | 653 | 142,273 |
| 1975 .......... | 132,032 | 4,995 | 12,336 | 700 | 150,063 |
| 1976 .......... | 139,356 | 5,648 | 12,635 | 720 | 158,359 |
| 1977 .......... | 147,414 | 6,415 | 12,624 | 828 | 167,281 |
| 1978 .......... | 156,862 | 7,219 | 12,627 | 1,035 | 177,743 |
| 1979 .......... | 166,106 | 8,132 | 12,682 | 1,257 | 188,177 |
| 1980 .......... | 175,250 | 8,818 | 12,622 | 1,175 | 197,865 |

Note: "Credit" life insurance is limited to insurance on loans of ten years' or less duration. Prior to 1973, all credit insurance was included in the "Ordinary" and "Group" categories.

*Source: American Council of Life Insurance.*

## Obligations and Surplus Funds

U.S. Life Insurance Companies *(000,000 Omitted)*

| Year | Policy Reserves | Policy Dividend Accumulations | Funds Set Aside for Policy Dividends | Other Obligations | Surplus Funds | Capital (Stock Companies) | Total |
|---|---|---|---|---|---|---|---|
| 1952 ..... | $ 62,579 | $ 1,675 | $ 841 | $ 3,024 | $ 4,884 | $ 372 | $ 73,375 |
| 1955 ..... | 75,359 | 2,239 | 1,201 | 4,625 | 6,475 | 533 | 90,432 |
| 1960 ..... | 98,473 | 3,381 | 1,780 | 6,268 | 8,827 | 847 | 119,576 |
| 1965 ..... | 127,620 | 4,326 | 2,647 | 10,455 | 12,468 | 1,368 | 158,884 |
| 1970 ..... | 167,779 | 6,068 | 3,540 | 12,544 | 15,651 | 1,672 | 207,254 |
| 1971 ..... | 179,649 | 6,530 | 3,720 | 14,364 | 16,150 | 1,689 | 222,102 |
| 1972 ..... | 192,759 | 7,031 | 4,030 | 16,955 | 17,231 | 1,724 | 239,730 |
| 1973 ..... | 204,521 | 7,552 | 4,384 | 16,085 | 17,995 | 1,899 | 252,436 |
| 1974 ..... | 216,507 | 8,080 | 4,604 | 15,517 | 16,730 | 1,911 | 263,349 |
| 1975 ..... | 237,116 | 8,814 | 4,875 | 17,936 | 18,635 | 1,928 | 289,304 |
| 1976 ..... | 262,775 | 9,633 | 5,252 | 21,881 | 20,077 | 1,934 | 321,552 |
| 1977 ..... | 287,932 | 10,427 | 5,839 | 23,907 | 21,669 | 1,948 | 351,722 |
| 1978 ..... | 318,483 | 11,319 | 6,380 | 27,495 | 24,285 | 1,962 | 389,924 |
| 1979 ..... | 351,637 | 12,112 | 7,158 | 31,372 | 28,023 | 1,980 | 432,282 |
| 1980 ..... | 390,339 | 12,727 | 7,659 | 34,127 | 32,274 | 2,084 | 479,210 |

*Source: American Council of Life Insurance.*

# LIFE INSURANCE ASSETS

Assets of U.S. life insurance companies totaled $479.2 billion at the end of 1980, an increase of 10.9% during the year. This was the same percentage increase as in 1979 and in 1978.

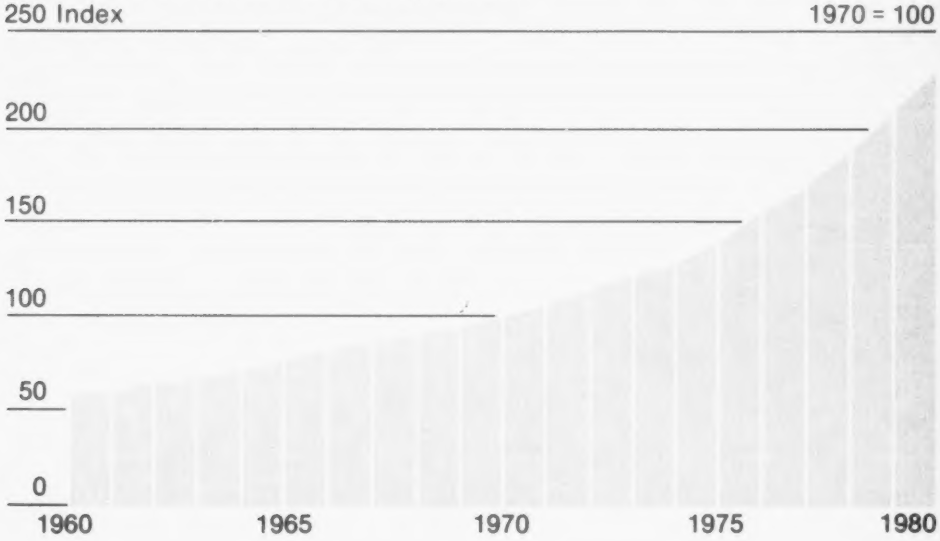
The growth in assets in 1980 was a result of the substantial inflows of $40.8 billion in new funds and a net gain of $6.1 billion in the valuation of assets previously held. By comparison, new funds in 1979 amounted to $38.9 billion. The rapid expansion of the group and individual annuity business in recent years has been a major factor contributing to recent asset growth. Also contributing to asset growth in 1980 was further improvement in investment income.

Assets of life insurance companies, largely comprised of financial instruments, are used to back life insurance and annuity reserves and have been primarily built up from policyholders' premiums and investment earnings. Investments of life companies are an important source of capital in America's economy. Net investments in U.S. capital markets by life insurance companies totaled $34.5 billion in 1980. Life insurance ranked third among private domestic institutional sources of funds, supplying 8.2% of the total funds flowing into financial markets.

The largest component of life company assets in 1980 was corporate debt issues. Holdings of corporate debt increased from $169.0 billion to $179.6 billion, or 37.5% of total assets, by year-end 1980.

Mortgages, the second largest component of life insurance company assets, increased from $118.4 billion to $131.1 billion during 1980. As a proportion of total assets these holdings were 27.4% in 1980, unchanged from 1979.

**Relative Growth in Assets of U.S. Life Insurance Companies**



# Distribution of Assets Of U.S. Life Insurance Companies

Amount *(000,000 Omitted)*

| Year | Government Securities | Corporate Securities Bonds | Corporate Securities Stocks | Mortgages | Real Estate | Policy Loans | Misc. Assets | Total |
|---|---|---|---|---|---|---|---|---|
| 1917 ....... | $ 562 | $ 1,975 | $ 83 | $ 2,021 | $ 179 | $ 810 | $ 311 | $ 5,941 |
| 1920 ....... | 1,349 | 1,949 | 75 | 2,442 | 172 | 859 | 474 | 7,320 |
| 1925 ....... | 1,311 | 3,022 | 81 | 4,808 | 266 | 1,446 | 604 | 11,538 |
| 1930 ....... | 1,502 | 4,929 | 519 | 7,598 | 548 | 2,807 | 977 | 18,880 |
| 1935 ....... | 4,727 | 5,314 | 583 | 5,357 | 1,990 | 3,540 | 1,705 | 23,216 |
| 1940 ....... | 8,447 | 8,645 | 605 | 5,972 | 2,065 | 3,091 | 1,977 | 30,802 |
| 1945 ....... | 22,545 | 10,060 | 999 | 6,636 | 857 | 1,962 | 1,738 | 44,797 |
| 1950 ....... | 16,118 | 23,248 | 2,103 | 16,102 | 1,445 | 2,413 | 2,591 | 64,020 |
| 1955 ....... | 11,829 | 35,912 | 3,633 | 29,445 | 2,581 | 3,290 | 3,742 | 90,432 |
| 1960 ....... | 11,815 | 46,740 | 4,981 | 41,771 | 3,765 | 5,231 | 5,273 | 119,576 |
| 1965 ....... | 11,908 | 58,244 | 9,126 | 60,013 | 4,681 | 7,678 | 7,234 | 158,884 |
| 1966 ....... | 11,396 | 60,819 | 8,832 | 64,609 | 4,885 | 9,117 | 7,797 | 167,455 |
| 1967 ....... | 11,079 | 64,687 | 10,877 | 67,516 | 5,187 | 10,059 | 8,427 | 177,832 |
| 1968 ....... | 11,096 | 68,310 | 13,230 | 69,973 | 5,571 | 11,306 | 9,150 | 188,636 |
| 1969 ....... | 10,914 | 70,859 | 13,707 | 72,027 | 5,912 | 13,825 | 9,964 | 197,208 |
| 1970 ....... | 11,068 | 73,098 | 15,420 | 74,375 | 6,320 | 16,064 | 10,909 | 207,254 |
| 1971 ....... | 11,000 | 79,198 | 20,607 | 75,496 | 6,904 | 17,065 | 11,832 | 222,102 |
| 1972 ....... | 11,372 | 86,140 | 26,845 | 76,948 | 7,295 | 18,003 | 13,127 | 239,730 |
| 1973 ....... | 11,403 | 91,796 | 25,919 | 81,369 | 7,693 | 20,199 | 14,057 | 252,436 |
| 1974 ....... | 11,965 | 96,652 | 21,920 | 86,234 | 8,331 | 22,862 | 15,385 | 263,349 |
| 1975 ....... | 15,177 | 105,837 | 28,061 | 89,167 | 9,621 | 24,467 | 16,974 | 289,304 |
| 1976 ....... | 20,260 | 120,666 | 34,262 | 91,552 | 10,476 | 25,834 | 18,502 | 321,552 |
| 1977 ....... | 23,555 | 137,889 | 33,763 | 96,848 | 11,060 | 27,556 | 21,051 | 351,722 |
| 1978 ....... | 26,552 | 156,044 | 35,518 | 106,167 | 11,764 | 30,146 | 23,733 | 389,924 |
| 1979 ....... | 29,719 | 168,990 | 39,757 | 118,421 | 13,007 | 34,825 | 27,563 | 432,282 |
| 1980 ....... | 33,015 | 179,603 | 47,366 | 131,080 | 15,033 | 41,411 | 31,702 | 479,210 |

Percent

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 1917 ....... | 9.6% | 33.2% | 1.4% | 34.0% | 3.0% | 13.6% | 5.2% | 100.0% |
| 1920 ....... | 18.4 | 26.7 | 1.0 | 33.4 | 2.3 | 11.7 | 6.5 | 100.0 |
| 1925 ....... | 11.3 | 26.2 | .7 | 41.7 | 2.3 | 12.5 | 5.3 | 100.0 |
| 1930 ....... | 8.0 | 26.0 | 2.8 | 40.2 | 2.9 | 14.9 | 5.2 | 100.0 |
| 1935 ....... | 20.4 | 22.9 | 2.5 | 23.1 | 8.6 | 15.2 | 7.3 | 100.0 |
| 1940 ....... | 27.5 | 28.1 | 2.0 | 19.4 | 6.7 | 10.0 | 6.3 | 100.0 |
| 1945 ....... | 50.3 | 22.5 | 2.2 | 14.8 | 1.9 | 4.4 | 3.9 | 100.0 |
| 1950 ....... | 25.2 | 36.3 | 3.3 | 25.1 | 2.2 | 3.8 | 4.1 | 100.0 |
| 1955 ....... | 13.1 | 39.7 | 4.0 | 32.6 | 2.9 | 3.6 | 4.1 | 100.0 |
| 1960 ....... | 9.9 | 39.1 | 4.2 | 34.9 | 3.1 | 4.4 | 4.4 | 100.0 |
| 1965 ....... | 7.5 | 36.7 | 5.7 | 37.8 | 3.0 | 4.8 | 4.5 | 100.0 |
| 1966 ....... | 6.8 | 36.3 | 5.3 | 38.6 | 2.9 | 5.5 | 4.6 | 100.0 |
| 1967 ....... | 6.2 | 36.4 | 6.1 | 38.0 | 2.9 | 5.7 | 4.7 | 100.0 |
| 1968 ....... | 5.9 | 36.2 | 7.0 | 37.1 | 3.0 | 6.0 | 4.8 | 100.0 |
| 1969 ....... | 5.5 | 36.0 | 6.9 | 36.6 | 3.0 | 7.0 | 5.0 | 100.0 |
| 1970 ....... | 5.3 | 35.3 | 7.4 | 35.9 | 3.0 | 7.8 | 5.3 | 100.0 |
| 1971 ....... | 4.9 | 35.7 | 9.3 | 34.0 | 3.1 | 7.7 | 5.3 | 100.0 |
| 1972 ....... | 4.8 | 35.9 | 11.2 | 32.1 | 3.0 | 7.5 | 5.5 | 100.0 |
| 1973 ....... | 4.5 | 36.4 | 10.3 | 32.2 | 3.0 | 8.0 | 5.6 | 100.0 |
| 1974 ....... | 4.5 | 36.7 | 8.3 | 32.8 | 3.2 | 8.7 | 5.8 | 100.0 |
| 1975 ....... | 5.2 | 36.6 | 9.7 | 30.8 | 3.3 | 8.5 | 5.9 | 100.0 |
| 1976 ....... | 6.3 | 37.5 | 10.7 | 28.5 | 3.3 | 8.0 | 5.7 | 100.0 |
| 1977 ....... | 6.7 | 39.2 | 9.6 | 27.5 | 3.2 | 7.8 | 6.0 | 100.0 |
| 1978 ....... | 6.8 | 40.0 | 9.1 | 27.2 | 3.0 | 7.8 | 6.1 | 100.0 |
| 1979 ....... | 6.9 | 39.1 | 9.2 | 27.4 | 3.0 | 8.1 | 6.3 | 100.0 |
| 1980 ....... | 6.9 | 37.5 | 9.9 | 27.4 | 3.1 | 8.6 | 6.6 | 100.0 |

**Note:** Beginning with 1962, these data include the assets of separate accounts. For detail on separate accounts, see page 88.

*Sources:* Spectator Year Book *and American Council of Life Insurance.*

Corporate stock holdings amounted to $47.4 billion, or 9.9% of total assets, and included $35.6 billion of common stocks and $11.8 billion of preferred stocks. Almost all of the increase in common stock holdings was due to an increase in valuation.

## Assets of U.S. Life Insurance Companies

*(000,000 Omitted)*

| Year | Amount | Year | Amount | Year | Amount | Year | Amount |
|---|---|---|---|---|---|---|---|
| 1890 | $ 771 | 1925 | $11,538 | 1944 | $ 41,054 | 1963 | $141,121 |
| 1895 | 1,160 | 1926 | 12,940 | 1945 | 44,797 | 1964 | 149,470 |
| 1900 | 1,742 | 1927 | 14,392 | 1946 | 48,191 | 1965 | 158,884 |
| 1905 | 2,706 | 1928 | 15,961 | 1947 | 51,743 | 1966 | 167,455 |
| 1910 | 3,876 | 1929 | 17,482 | 1948 | 55,512 | 1967 | 177,832 |
| 1911 | 4,164 | 1930 | 18,880 | 1949 | 59,630 | 1968 | 188,636 |
| 1912 | 4,409 | 1931 | 20,160 | 1950 | 64,020 | 1969 | 197,208 |
| 1913 | 4,659 | 1932 | 20,754 | 1951 | 68,278 | 1970 | 207,254 |
| 1914 | 4,935 | 1933 | 20,896 | 1952 | 73,375 | 1971 | 222,102 |
| 1915 | 5,190 | 1934 | 21,844 | 1953 | 78,533 | 1972 | 239,730 |
| 1916 | 5,537 | 1935 | 23,216 | 1954 | 84,486 | 1973 | 252,436 |
| 1917 | 5,941 | 1936 | 24,874 | 1955 | 90,432 | 1974 | 263,349 |
| 1918 | 6,475 | 1937 | 26,249 | 1956 | 96,011 | 1975 | 289,304 |
| 1919 | 6,791 | 1938 | 27,755 | 1957 | 101,309 | 1976 | 321,552 |
| 1920 | 7,320 | 1939 | 29,243 | 1958 | 107,580 | 1977 | 351,722 |
| 1921 | 7,936 | 1940 | 30,802 | 1959 | 113,650 | 1978 | 389,924 |
| 1922 | 8,652 | 1941 | 32,731 | 1960 | 119,576 | 1979 | 432,282 |
| 1923 | 9,455 | 1942 | 34,931 | 1961 | 126,816 | 1980 | 479,210 |
| 1924 | 10,394 | 1943 | 37,766 | 1962 | 133,291 | | |

Note: Beginning with 1962, these data include the assets of separate accounts. For details on separate accounts, see page 88.

*Sources:* Spectator Year Book *and American Council of Life Insurance.*

## Sources of Funds in the United States Money and Capital Markets (In Billions of Dollars)

| | 1965 | 1970 | 1975 | 1979 | 1980* |
|---|---|---|---|---|---|
| Life Insurance Companies | $ 7.8 | $ 9.1 | $ 19.0 | $ 33.7 | $ 34.5 |
| Private Non-Life Insurance Company Pension Plans | 5.2 | 7.2 | 12.8 | 22.0 | 25.1 |
| State and Local Retirement Funds | 5.8 | 4.2 | 11.7 | 15.5 | 21.5 |
| Savings and Loan Associations | 9.6 | 11.4 | 37.4 | 48.1 | 44.6 |
| Mutual Savings Banks | 3.9 | 4.0 | 10.9 | 5.4 | 6.3 |
| Commercial Banking | 28.4 | 31.8 | 31.5 | 120.3 | 103.4 |
| Federal Reserve Banks | 3.8 | 5.0 | 8.5 | 7.7 | 4.5 |
| Federal Loan Agencies | 1.4 | 8.0 | 33.9 | 67.6 | 62.5 |
| Nonfinancial Corporations | 2.1 | 1.8 | 14.3 | 30.4 | 20.0 |
| Fire and Casualty Companies | 1.1 | 4.8 | 6.6 | 18.9 | 18.6 |
| Real Estate Investment Trusts | N.A. | 1.9 | -4.9 | -0.3 | 0.2 |
| Mutual Funds** | 2.0 | 1.6 | 0.3 | 18.2 | 15.8 |
| Foreigners | -0.2 | 11.0 | 10.8 | -6.1 | 22.0 |
| Individuals and Others | 3.3 | 13.6 | 34.0 | 90.2 | 40.0 |
| Total | $74.2 | $115.4 | $226.8 | $471.6 | $419.0 |

Note: Data are revised to incorporate December 1980 revisions of the National Income and Product accounts.

*Preliminary.

**Includes money market funds of $0.7 billion in 1975, $19.8 billion in 1979 and $14.9 billion in 1980.

*Source: American Council of Life Insurance.*

## New Investments

Acquisitions of investments by U.S. life insurance companies reached a record high of $327.8 billion in 1980, an increase of $57.5 billion, or 21.3%, over 1979. The increase stemmed largely from short-term debt transactions. Longer-term investment acquisitions were up $5.3 billion from 1979, or 7.3%.

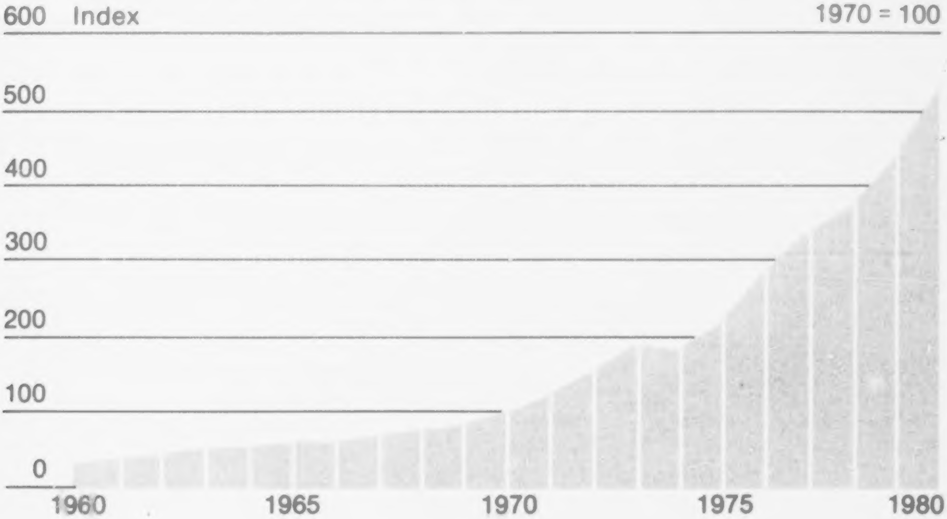
Total acquisitions were eight times as large as the net increase in total assets, largely because of short-term securities purchases, but also because of the reinvestment of funds generated by repayments and sales of existing investments. Purchases of short-term securities, in which large amounts of funds are reinvested many times in a single year, amounted to $249.9 billion, $52.2 billion above the 1979 volume. These temporary investments accounted for 76.2% of total acquisitions in 1979, somewhat more than the proportion in other recent years. The major portion of short-term acquisitions was accounted for by corporate debt issues, which amounted to $205.1 billion; the remaining $44.8 billion represented government issues.

Of the $77.9 billion of longer-term acquisitions, $40.8 billion was traceable to the net increase in assets (adjusted to exclude changes in valuation of existing assets). About $35 billion represented funds available for reinvestment from repayments of existing investments, such as bond maturities, calls, mortgage amortizations and prepayments and sales of holdings. The balance of acquisitions represented exchanges and refinancings.

New longer-term investments of life insurance companies come under six broad categories. Corporate bonds are a major outlet for investment funds, accounting for 28.6% of longer-term acquisitions in 1980. Mortgages represented 27.4% of the total. Next in order were corporate stocks, policy loans, government securities and real estate. Acquisitions of longer-term corporate bonds and mortgages were less in 1980 than in 1979, while the other four categories increased over 1979.

### Relative Growth in Acquisitions of Investments

U.S. Life Insurance Companies



Longer-term corporate bond acquisitions amounted to $22.3 billion in 1980, $.9 billion, or 3.9%, less than the $23.2 billion in the previous year. Corporate bond acquisitions decreased to 28.6% of total longer-term acquisitions in 1980 from 31.9% in 1979 and 40.7% in 1978. Acquisitions of longer-term domestic corporate bonds amounted to $21.5 billion and foreign corporate bonds came to $.8 billion in 1980. The former category decreased 5.2% from 1979 while the latter increased 49.1%.

Mortgages accounted for $19.8 billion of life company investment acquisitions in 1980, $930 million, or 4.5%, less than in 1979. Mortgage loans decreased to 25.4% of total life company longer-term acquisitions in 1980 from 28.5% in 1979.

## Acquisitions of Investments

U.S. Life Insurance Companies *(000,000 Omitted)*

| Year | Government Securities | Corporate Securities | | Mortgages | Real Estate | Policy Loans | Total |
|---|---|---|---|---|---|---|---|
| | | Bonds | Stocks | | | | |
| 1947 ....... | $1,710 | $ 4,248 | $ 307 | $ 2,786 | $219 | $ 327 | $ 9,597 |
| 1948 ....... | 2,262 | 4,800 | 181 | 3,407 | 278 | 414 | 11,342 |
| 1949 ....... | 1,065 | 3,674 | 251 | 3,440 | 264 | 478 | 9,172 |
| 1950 ....... | 2,399 | 3,700 | 470 | 4,894 | 257 | 521 | 12,241 |
| 1951 ....... | 7,691 | 4,379 | 278 | 5,134 | 273 | 535 | 18,290 |
| 1952 ....... | 4,610 | 5,151 | 194 | 3,978 | 335 | 504 | 14,772 |
| 1953 ....... | 3,939 | 4,631 | 233 | 4,345 | 205 | 579 | 13,932 |
| 1954 ....... | 5,549 | 5,157 | 552 | 5,344 | 388 | 661 | 17,651 |
| 1955 ....... | 6,176 | 4,687 | 392 | 6,614 | 371 | 669 | 18,909 |
| 1956 ....... | 4,794 | 5,305 | 291 | 6,715 | 360 | 744 | 18,209 |
| 1957 ....... | 3,833 | 6,344 | 294 | 5,230 | 458 | 916 | 16,775 |
| 1958 ....... | 5,625 | 5,799 | 365 | 5,277 | 463 | 1,008 | 18,537 |
| 1959 ....... | 5,613 | 6,318 | 514 | 5,975 | 446 | 1,156 | 20,022 |
| 1960 ....... | 5,011 | 6,886 | 655 | 6,083 | 299 | 1,420 | 20,354 |
| 1961 ....... | 6,478 | 9,113 | 918 | 6,785 | 429 | 1,427 | 25,150 |
| 1962 ....... | 6,824 | 11,654 | 766 | 7,478 | 363 | 1,473 | 28,558 |
| 1963 ....... | 6,018 | 14,200 | 788 | 9,172 | 485 | 1,504 | 32,167 |
| 1964 ....... | 4,979 | 15,419 | 1,066 | 10,433 | 488 | 1,574 | 33,959 |
| 1965 ....... | 4,273 | 20,428 | 1,463 | 11,137 | 448 | 1,702 | 39,451 |
| 1966 ....... | 3,837 | 18,452 | 1,326 | 10,217 | 510 | 2,613 | 36,955 |
| 1967 ....... | 3,949 | 25,930 | 2,065 | 8,470 | 668 | 2,365 | 43,447 |
| 1968 ....... | 5,570 | 27,601 | 3,318 | 7,925 | 815 | 2,741 | 47,970 |

| Year | Government Securities | | Corporate Securities | | | Mortgages | Real Estate | Policy Loans | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | Bonds | | | | | | |
| | Short-Term | Total | Short-Term | Total | Stocks | | | | |
| 1969 ..... | $ 3,262 | $ 4,655 | $ 25,096 | $ 31,883 | $ 4,099 | $ 7,531 | $ 794 | $ 4,118 | $ 53,080 |
| 1970 ..... | 3,816 | 4,612 | 34,597 | 41,405 | 4,086 | 7,181 | 859 | 4,149 | 62,292 |
| 1971 ..... | 5,376 | 7,011 | 41,790 | 53,517 | 6,785 | 7,573 | 1,035 | 3,400 | 79,321 |
| 1972 ..... | 7,385 | 8,989 | 53,983 | 68,240 | 8,468 | 8,696 | 976 | 3,252 | 98,621 |
| 1973 ..... | 6,905 | 8,290 | 74,318 | 87,059 | 8,198 | 11,463 | 1,177 | 4,602 | 120,789 |
| 1974 ..... | 6,153 | 7,609 | 75,390 | 86,656 | 4,832 | 11,339 | 1,294 | 5,332 | 117,062 |
| 1975 ..... | 9,949 | 13,644 | 79,967 | 96,534 | 5,955 | 9,595 | 2,115 | 4,600 | 132,443 |
| 1976 ..... | 23,066 | 30,315 | 96,440 | 120,442 | 7,691 | 9,801 | 1,814 | 4,826 | 174,889 |
| 1977 ..... | 27,410 | 34,908 | 116,931 | 147,114 | 7,588 | 14,176 | 2,059 | 5,115 | 210,960 |
| 1978 ..... | 29,363 | 35,805 | 136,860 | 164,866 | 8,015 | 17,799 | 2,234 | 6,260 | 234,979 |
| 1979 ..... | 34,700 | 41,566 | 163,025 | 186,195 | 10,374 | 20,689 | 2,793 | 8,739 | 270,356 |
| 1980 ..... | 44,837 | 51,798 | 205,081 | 227,336 | 14,105 | 19,759 | 3,312 | 11,535 | 327,845 |

*Source: American Council of Life Insurance.*

Included in the mortgage loan total were $17.7 billion of nonfarm conventional loans, $1.7 billion of farm mortgages, and $419 million of government-backed mortgages. Nonfarm conventional mortgages, which accounted for 89.4% of total mortgage acquisitions in 1980, increased $534 million from 1979. Loans on nonresidential properties, such as office buildings, shopping centers, manufacturing plants and warehouses, continued to dominate the nonfarm conventional mortgage total. Farm mortgage loans were $1.7 billion, down $1.1 billion from 1979. Government-backed mortgages were $419 million, $325 less than in 1979.

Corporate stock acquisitions increased $3.7 billion during 1980 to $14.1 billion. Common stock acquisitions, including those acquired for separate accounts, amounted to $12.7 billion, and preferred stock acquisitions were $1.4 billion. Disposals of common stock amounted to $12.4 billion in 1980, $3.5 billion more than in 1979. Disposals of preferred stock were $917 million, up $49 million from 1979.

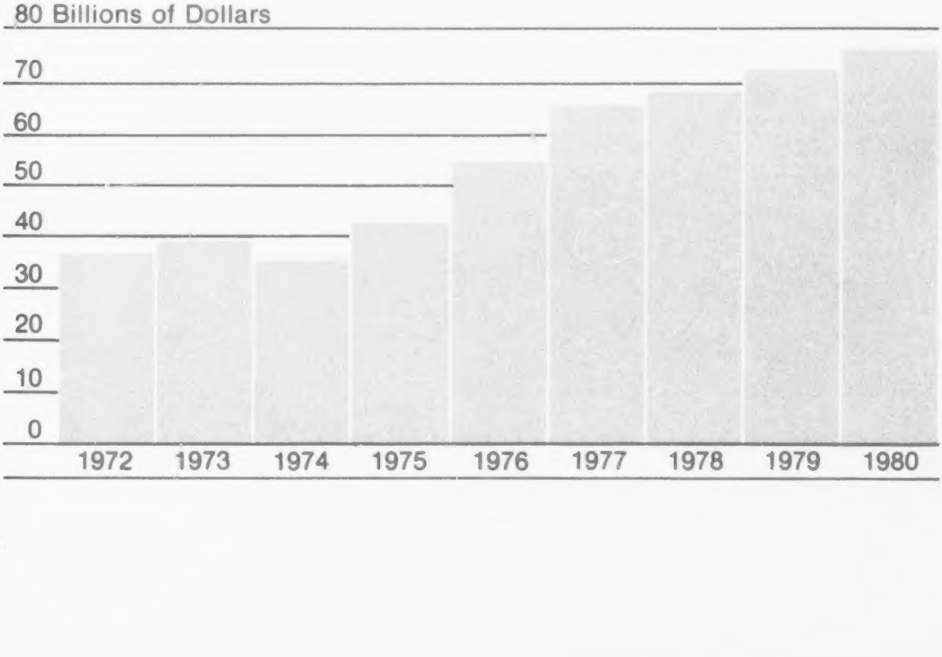
Acquisitions of long-term government securities totaled $7.0 billion in 1980, $95 million more than in 1979. Although acquisitions of U.S. Treasury securities increased over 1979, other categories of government bonds decreased. Foreign government and international agency bonds of $773 million dropped 8.1%, state and local government longer-term issues of $858 million decreased 7.4%, and Federal agency bonds of $3.0 billion were down 17.8% from 1979.

Policy loans made by life insurance companies during 1980 amounted to $11.5 billion, up $2.8 billion from 1979. As a share of total longer-term acquisitions, policy loans increased to 14.8% in 1980, the highest ratio since 1974, when policy loan acquisitions accounted for 15.0% of total longer-term acquisitions.

Real estate accounted for $3.3 billion of life insurance company investment acquisitions, $519 million, or 18.6%, more than in 1979.

**Acquisitions of Longer-Term Investments**

U.S. Life Insurance Companies



## Acquisitions and Change in Holdings of Investments

U.S. Life Insurance Companies *(000,000 Omitted)*

| | 1979 | | | 1980 | | |
|---|---|---|---|---|---|---|
| Type of Investment | Acquired in Year | Held at Year-end | Change in Holdings in Year | Acquired in Year | Held at Year-end | Change in Holdings in Year |
| GOVERNMENT SECURITIES | | | | | | |
| Short Term: 1 Year or Less | | | | | | |
| U.S. Treasury | $ 25,189 | $ 412 | $- 30 | $ 36,273 | $ 789 | $+ 377 |
| U.S. Federal Agency | 8,624 | 187 | + 74 | 7,705 | 296 | + 109 |
| U.S. State and Local | 54 | 14 | - 1 | 125 | 7 | - 7 |
| Foreign Government and International Agency | 833 | 96 | + 10 | 734 | 106 | + 10 |
| | 34,700 | 709 | + 53 | 44,837 | 1,198 | + 489 |
| Other: Over 1 Year | | | | | | |
| U.S. Treasury | 1,413 | 4,476 | + 96 | 2,302 | 5,049 | + 573 |
| U.S. Federal Agency | 3,685 | 9,194 | + 2,764 | 3,028 | 10,848 | + 1,654 |
| U.S. State and Local | 927 | 6,414 | + 27 | 858 | 6,694 | + 280 |
| Foreign Government and International Agency | 841 | 8,926 | + 227 | 773 | 9,226 | + 300 |
| | 6,866 | 29,010 | + 3,114 | 6,961 | 31,817 | + 2,807 |
| Total Government Securities | 41,566 | 29,719 | + 3,167 | 51,798 | 33,015 | + 3,296 |
| CORPORATE SECURITIES | | | | | | |
| Bonds, Debentures and Notes | | | | | | |
| Short Term: 1 Year or Less | | | | | | |
| U.S. | 142,335 | 6,945 | + 1,277 | 173,035 | 8,828 | + 1,883 |
| Foreign | 20,690 | 1,012 | + 331 | 32,046 | 1,314 | + 302 |
| Other: Over 1 Year | | | | | | |
| U.S. | 22,636 | 152,793 | +11,343 | 21,459 | 160,871 | + 8,078 |
| Foreign | 534 | 8,240 | - 5 | 796 | 8,590 | + 350 |
| | 186,195 | 168,990 | +12,946 | 227,336 | 179,603 | +10,613 |
| Stocks | | | | | | |
| Common | 8,382 | 28,161 | + 3,175 | 12,704 | 35,571 | + 7,410 |
| Preferred | 1,992 | 11,596 | + 1,064 | 1,401 | 11,795 | + 199 |
| | 10,374 | 39,757 | + 4,239 | 14,105 | 47,366 | + 7,609 |
| Total Corporate Securities | 196,569 | 208,747 | +17,185 | 241,441 | 226,969 | +18,222 |
| MORTGAGES | | | | | | |
| Farm | 2,806 | 12,184 | + 1,685 | 1,667 | 12,958 | + 774 |
| Nonfarm | | | | | | |
| F.H.A. | 471 | 5,807 | - 302 | 281 | 5,538 | - 269 |
| N.H.A. | 22 | 565 | - 31 | 4 | 528 | - 37 |
| V.A. | 251 | 2,975 | - 189 | 134 | 2,781 | - 194 |
| Conventional | 17,139 | 96,890 | +11,091 | 17,673 | 109,275 | +12,385 |
| Total Mortgages | 20,689 | 118,421 | +12,254 | 19,759 | 131,080 | +12,659 |
| REAL ESTATE | 2,793 | 13,007 | + 1,243 | 3,312 | 15,033 | + 2,026 |
| POLICY LOANS | 8,739 | 34,825 | + 4,679 | 11,535 | 41,411 | + 6,586 |
| CASH | XXX | 2,670 | + 303 | XXX | 3,210 | + 540 |
| OTHER ASSETS | XXX | 24,893 | + 3,527 | XXX | 28,492 | + 3,599 |
| TOTAL ASSETS | $270,356 | $432,282 | $+42,358 | $327,845 | $479,210 | $+46,928 |

*Source: American Council of Life Insurance.*

# Government Securities

Government securities amounted to 6.9% of total assets of U.S. life insurance companies at year-end 1980.

These securities have been more attractive to life insurance companies in the last six years. Holdings of these investments amounted to $33.0 billion at the end of 1980, an increase of $3.3 billion, or 11.1%, during the year. This growth follows a 11.9% increase in 1979. Investments in issues of U.S. Federal agencies accounted for 53.5% of the increase during 1980.

The large increases in recent years have been in sharp contrast to smaller increments in prior years. As a proportion of total assets, holdings of U.S. government securities have decreased steeply since the end of World War II. Life insurance funds had been heavily channeled into government securities during the war, with holdings consisting mainly of Treasury notes and bonds.

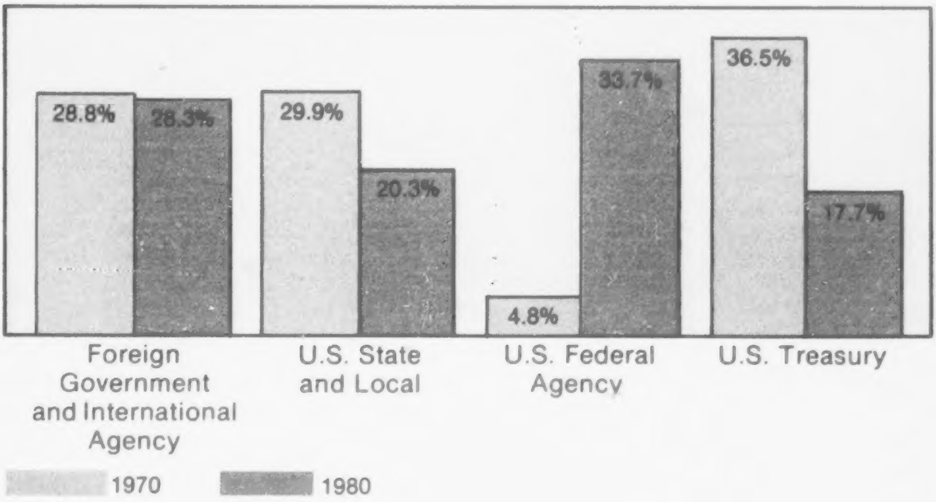
Securities of the United States government include U.S. Treasury securities and those of U.S. Federal agencies or those sponsored by the Federal government (such as the Federal National Mortgage Association and the Federal Home Loan Banks). Investments in these securities amounted to $17.0 billion at year-end 1980, an increase of $2.7 billion, or 19.0%, from year-end 1979. Short-term Treasury bills and certificates, purchased to keep funds at work until they are needed for longer-term investments, amounted to $789 million. Short-term Federal agency securities totaled $296 million. Holdings of short-term U.S. Treasury and Federal agency issues increased 81.1% and holdings of long-term securities of these agencies increased 16.3%.

U.S. state and local securities amounted to $6.7 billion at the end of 1980, up $273 million from last year. These holdings include guaranteed, special revenue and other issues of the 50 states, District of Columbia, Puerto Rico, and the territories and possessions of the United States and their political subdivisions.

In addition to the securities of governments in the United States, U.S. life companies had $9.3 billion invested in securities of the central and local

## Distribution of Government Securities

U.S. Life Insurance Companies



governments of Canada and other foreign countries, and in international agencies such as the International Bank for Reconstruction and Development (World Bank). Investment in Canada's central and local governments amounted to $7.1 billion. After Canada, the largest life insurance company holdings of foreign government bonds were those of Mexico, Japan, France, Sweden and Israel.

## Government Securities

Owned by U.S. Life Insurance Companies *(000,000 Omitted)*

| | United States | | | | Foreign Government and | | |
|---|---|---|---|---|---|---|---|
| Year | Treasury | Federal Agency | State and Local | Total | International Agency | Total Amount | % of Assets |
| 1917 ...... | $ 70 | — | * | * | * | $ 562 | 9.6 |
| 1920 ...... | 830 | — | * | * | * | 1,349 | 18.4 |
| 1925 ...... | 627 | — | * | * | * | 1,311 | 11.3 |
| 1930 ...... | 319 | — | * | * | * | 1,502 | 8.0 |
| 1935 ...... | 2,853 | — | $1,344 | $ 4,197 | $ 530 | 4,727 | 20.4 |
| 1940 ...... | 5,767 | — | 2,082 | 7,849 | 598 | 8,447 | 27.5 |
| 1945 ...... | 20,583 | — | 722 | 21,305 | 1,240 | 22,545 | 50.3 |
| 1950 ...... | 13,459 | — | 1,152 | 14,611 | 1,507 | 16,118 | 25.2 |
| 1951 ...... | 11,009 | — | 1,170 | 12,179 | 1,581 | 13,760 | 20.1 |
| 1952 ...... | 10,252 | — | 1,153 | 11,405 | 1,500 | 12,905 | 17.6 |
| 1953 ...... | 9,829 | — | 1,298 | 11,127 | 1,410 | 12,537 | 15.9 |
| 1954 ...... | 9,070 | — | 1,846 | 10,916 | 1,346 | 12,262 | 14.5 |
| 1955 ...... | 8,576 | — | 2,038 | 10,614 | 1,215 | 11,829 | 13.1 |
| 1956 ...... | 7,555 | — | 2,273 | 9,828 | 1,239 | 11,067 | 11.5 |
| 1957 ...... | 7,029 | — | 2,376 | 9,405 | 1,286 | 10,691 | 10.6 |
| 1958 ...... | 7,183 | † | 2,681 | 9,864 | 1,371 | 11,235 | 10.5 |
| 1959 ...... | 6,868 | $ 72 | 3,200 | 10,140 | 1,520 | 11,660 | 10.3 |
| 1960 ...... | 6,427 | 101 | 3,588 | 10,116 | 1,699 | 11,815 | 9.9 |
| 1961 ...... | 6,134 | 110 | 3,888 | 10,132 | 1,913 | 12,045 | 9.5 |
| 1962 ...... | 6,170 | 105 | 4,026 | 10,301 | 2,297 | 12,598 | 9.4 |
| 1963 ...... | 5,813 | 139 | 3,852 | 9,804 | 2,826 | 12,630 | 8.9 |
| 1964 ...... | 5,594 | 129 | 3,774 | 9,497 | 3,012 | 12,509 | 8.4 |
| 1965 ...... | 5,119 | 167 | 3,530 | 8,816 | 3,092 | 11,908 | 7.5 |
| 1966 ...... | 4,921 | 236 | 3,260 | 8,417 | 2,979 | 11,396 | 6.8 |
| 1967 ...... | 4,683 | 230 | 3,145 | 8,058 | 3,021 | 11,079 | 6.2 |
| 1968 ...... | 4,456 | 294 | 3,194 | 7,944 | 3,152 | 11,096 | 5.9 |
| 1969 ...... | 4,124 | 390 | 3,221 | 7,735 | 3,179 | 10,914 | 5.5 |
| 1970 ...... | 4,042 | 532 | 3,306 | 7,880 | 3,188 | 11,068 | 5.3 |
| 1971 ...... | 3,828 | 627 | 3,363 | 7,818 | 3,182 | 11,000 | 4.9 |
| 1972 ...... | 3,827 | 735 | 3,367 | 7,929 | 3,443 | 11,372 | 4.8 |
| 1973 ...... | 3,444 | 884 | 3,412 | 7,740 | 3,663 | 11,403 | 4.5 |
| 1974 ...... | 3,372 | 1,065 | 3,667 | 8,104 | 3,861 | 11,965 | 4.5 |
| 1975 ...... | 4,736 | 1,419 | 4,508 | 10,663 | 4,514 | 15,177 | 5.2 |
| 1976 ...... | 5,368 | 2,318 | 5,594 | 13,280 | 6,980 | 20,260 | 6.3 |
| 1977 ...... | 5,315 | 4,002 | 6,051 | 15,368 | 8,187 | 23,555 | 6.7 |
| 1978 ...... | 4,822 | 6,543 | 6,402 | 17,767 | 8,785 | 26,552 | 6.8 |
| 1979 ...... | 4,888 | 9,381 | 6,428 | 20,697 | 9,022 | 29,719 | 6.9 |
| 1980 ...... | 5,838 | 11,144 | 6,701 | 23,683 | 9,332 | 33,015 | 6.9 |

*Breakdown not available.

†Holdings of U.S. Federal agency bonds in 1958 (the first year in which life companies held such securities) were estimated to be $50 million, and were included in other categories for that year.

*Sources:* Spectator Year Book *and American Council of Life Insurance.*

## Corporate Securities

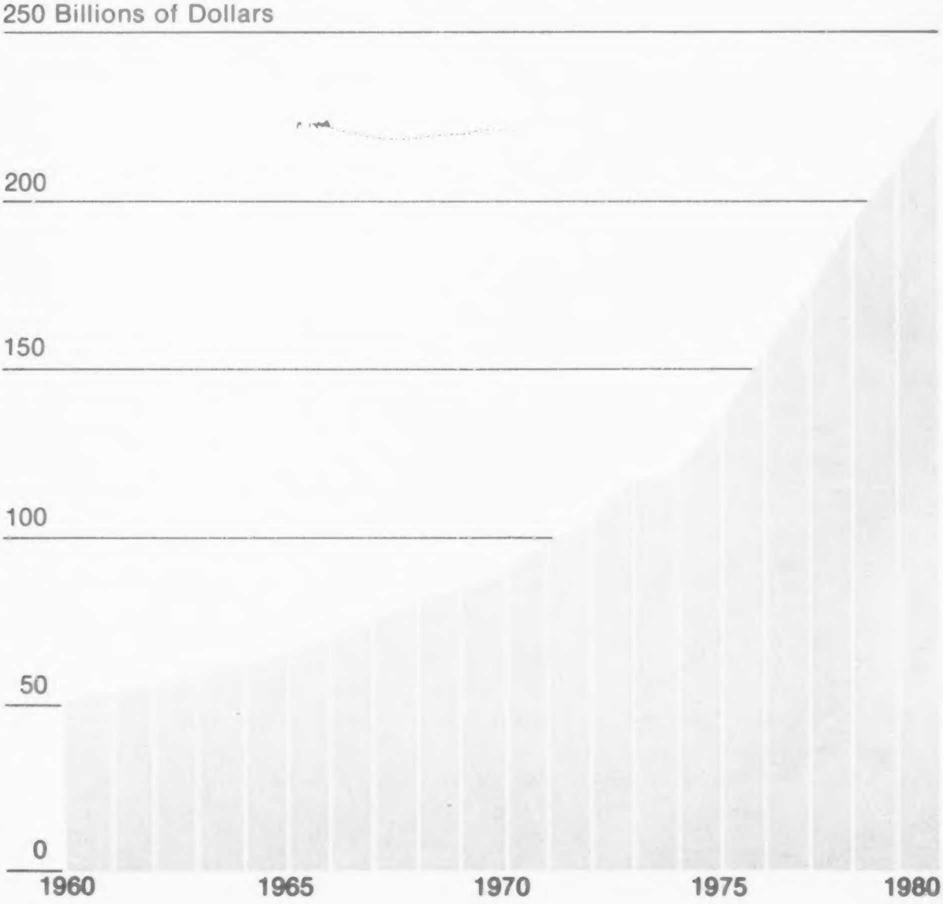
Corporate securities owned by U.S. life insurance companies were 47.4% of the companies' assets at year-end 1980, and amounted to $227.0 billion. This was an increase of $18.2 billion, or 8.7%, over the previous year and follows an increase of $17.2 billion, or 9.0%, in 1979. These securities consist of corporate bonds and stocks.

Corporate bond holdings amounted to $179.6 billion and were 37.5% of all assets at year-end 1980. These investments have increased steadily for many years and have more than doubled in the last decade. Demands for corporate bond financing were particularly heavy in the last five years.

The major share of corporate bond holdings — $169.7 billion — was invested in corporations in the United States. The remainder — $9.9 billion — was invested in corporations in foreign countries, chiefly Canada.

Life insurance companies are important investors in the corporate bond market and have been the largest institutional holder of corporate bonds issued in U.S. markets since the 1930s. Nearly two-fifths of total outstanding corporate bonds are held by life insurance companies. Private or direct placements, where

### Growth in Holdings of Corporate Securities
U.S. Life Insurance Companies



the financial institution negotiates directly with the corporation over the terms of the offering, account for a large share of life company investments in corporate bonds. Life insurance companies are the major lenders in the direct placement market.

Corporate bonds include the bonds of industrial and miscellaneous corporations, public utilities and railroads. Industrial and miscellaneous bonds, which have steadily risen as a component since the end of World War II, amounted to

## Corporate Securities

Owned by U.S. Life Insurance Companies *(000,000 Omitted)*

| | Bonds | | | | Stocks | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | United States | Foreign | Total | % of Assets | Common | Preferred | Total | % of Assets | Total Amount | % of Assets |
| 1917 ... | * | * | $ 1,975 | 33.2 | * | * | $ 83 | 1.4 | $ 2,058 | 34.6 |
| 1920 ... | * | * | 1,949 | 26.7 | * | * | 75 | 1.0 | 2,024 | 27.7 |
| 1925 ... | * | * | 3,022 | 26.2 | * | * | 81 | .7 | 3,103 | 26.9 |
| 1930 ... | * | * | 4,929 | 26.0 | * | * | 519 | 2.8 | 5,448 | 28.8 |
| 1935 ... | * | * | 5,314 | 22.9 | * | * | 583 | 2.5 | 5,897 | 25.4 |
| 1940 ... | * | * | 8,645 | 28.1 | * | * | 605 | 2.0 | 9,250 | 30.1 |
| 1945 ... | * | * | 10,060 | 22.5 | * | * | 999 | 2.2 | 11,059 | 24.7 |
| 1950 ... | $ 22,607 | $ 641 | 23,248 | 36.3 | $ 649 | $ 1,454 | 2,103 | 3.3 | 25,351 | 39.6 |
| 1951 ... | 25,147 | 743 | 25,890 | 37.9 | 820 | 1,401 | 2,221 | 3.3 | 28,111 | 41.2 |
| 1952 ... | 28,164 | 905 | 29,069 | 39.6 | 963 | 1,483 | 2,446 | 3.3 | 31,515 | 42.9 |
| 1953 ... | 30,750 | 1,115 | 31,865 | 40.6 | 1,042 | 1,531 | 2,573 | 3.3 | 34,438 | 43.9 |
| 1954 ... | 32,774 | 1,258 | 34,032 | 40.3 | 1,536 | 1,732 | 3,268 | 3.9 | 37,300 | 44.2 |
| 1955 ... | 34,629 | 1,283 | 35,912 | 39.7 | 1,889 | 1,744 | 3,633 | 4.0 | 39,545 | 43.7 |
| 1956 ... | 36,606 | 1,434 | 38,040 | 39.6 | 1,952 | 1,551 | 3,503 | 3.7 | 41,543 | 43.4 |
| 1957 ... | 39,065 | 1,600 | 40,665 | 40.1 | 1,867 | 1,524 | 3,391 | 3.3 | 44,056 | 43.8 |
| 1958 ... | 41,234 | 1,764 | 42,998 | 40.0 | 2,548 | 1,561 | 4,109 | 3.8 | 47,107 | 43.8 |
| 1959 ... | 43,142 | 1,884 | 45,026 | 39.6 | 2,954 | 1,607 | 4,561 | 4.0 | 49,587 | 43.6 |
| 1960 ... | 44,709 | 2,031 | 46,740 | 39.1 | 3,183 | 1,798 | 4,981 | 4.2 | 51,721 | 43.3 |
| 1961 ... | 46,595 | 2,292 | 48,887 | 38.5 | 4,223 | 2,035 | 6,258 | 4.9 | 55,145 | 43.4 |
| 1962 ... | 48,522 | 2,602 | 51,124 | 38.4 | 4,119 | 2,183 | 6,302 | 4.7 | 57,426 | 43.1 |
| 1963 ... | 50,620 | 2,833 | 53,453 | 37.9 | 4,820 | 2,315 | 7,135 | 5.0 | 60,588 | 42.9 |
| 1964 ... | 52,408 | 3,046 | 55,454 | 37.1 | 5,422 | 2,516 | 7,938 | 5.3 | 63,392 | 42.4 |
| 1965 ... | 54,835 | 3,409 | 58,244 | 36.7 | 6,263 | 2,863 | 9,126 | 5.7 | 67,370 | 42.4 |
| 1966 ... | 57,105 | 3,714 | 60,819 | 36.3 | 6,003 | 2,829 | 8,832 | 5.3 | 69,651 | 41.6 |
| 1967 ... | 60,835 | 3,852 | 64,687 | 36.4 | 7,810 | 3,067 | 10,877 | 6.1 | 75,564 | 42.5 |
| 1968 ... | 64,396 | 3,914 | 68,310 | 36.2 | 9,995 | 3,235 | 13,230 | 7.0 | 81,540 | 43.2 |
| 1969 ... | 66,813 | 4,046 | 70,859 | 36.0 | 10,318 | 3,389 | 13,707 | 6.9 | 84,566 | 42.9 |
| 1970 ... | 68,711 | 4,387 | 73,098 | 35.3 | 11,873 | 3,547 | 15,420 | 7.4 | 88,518 | 42.7 |
| 1971 ... | 74,699 | 4,499 | 79,198 | 35.7 | 16,779 | 3,828 | 20,607 | 9.3 | 99,805 | 45.0 |
| 1972 ... | 81,244 | 4,896 | 86,140 | 35.9 | 21,793 | 5,052 | 26,845 | 11.2 | 112,985 | 47.1 |
| 1973 ... | 86,848 | 4,948 | 91,796 | 36.4 | 19,606 | 6,313 | 25,919 | 10.3 | 117,715 | 46.7 |
| 1974 ... | 91,412 | 5,240 | 96,652 | 36.7 | 14,946 | 6,974 | 21,920 | 8.3 | 118,572 | 45.0 |
| 1975 ... | 99,993 | 5,844 | 105,837 | 36.6 | 20,304 | 7,757 | 28,061 | 9.7 | 133,898 | 46.3 |
| 1976 ... | 113,474 | 7,192 | 120,666 | 37.5 | 25,694 | 8,568 | 34,262 | 10.7 | 154,928 | 48.2 |
| 1977 ... | 130,181 | 7,708 | 137,889 | 39.2 | 24,086 | 9,677 | 33,763 | 9.6 | 171,652 | 48.8 |
| 1978 ... | 147,118 | 8,926 | 156,044 | 40.0 | 24,986 | 10,532 | 35,518 | 9.1 | 191,562 | 49.1 |
| 1979 ... | 159,738 | 9,252 | 168,990 | 39.1 | 28,161 | 11,596 | 39,757 | 9.2 | 208,747 | 48.3 |
| 1980 ... | 169,699 | 9,904 | 179,603 | 37.5 | 35,571 | 11,795 | 47,366 | 9.9 | 226,969 | 47.4 |

*Breakdown not available.

*Sources:* Spectator Year Book *and American Council of Life Insurance.*

$119.0 billion at the end of 1980. The growth in this category of bonds reflects the postwar industrial expansion of the nation's economy. The bulk of such securities are acquired by direct placements.

Public utility bonds amounted to $44.6 billion at year-end 1980. These bonds represent an important investment medium for life insurance companies. Through these investments, the life companies have helped to provide the nation with vital services for people and industry. One example is the increase in electrical power for industrial expansion and the means of distributing it. Life insurance companies have also helped finance expanded communications facilities and have invested in water, sewerage, fuel and local transportation facilities.

Railroad bonds, which had been declining as a proportion of assets since the end of World War II, increased by $484 million in 1980 to total $5.6 billion. In the 1920s, railroad bonds accounted for about 20% of total assets held by life insurance companies, compared to 1.2% at year-end 1980.

Long-term shifts in investment demand are reflected in changes in life companies' portfolios. Since World War II, for example, there have been shifts in holdings from government securities to corporate securities. Changes in relative yields of the various types of investments account in part for these shifts. Investment of life insurance funds is not, however, a simple matter of following changes in yield curves and in assessments of investment quality. Decisions about long-term investments also require consideration of major economic and social trends for decades to come.

Investments in common and preferred stocks account for the remainder of corporate securities owned by U.S. life insurance companies. These holdings amounted to $47.4 billion, or 9.9% of total assets at the end of 1980. The increase of $7.6 billion follows an increase of $4.2 billion in 1979.

Holdings of common stocks increased by $7.4 billion to $35.6 billion in 1980. This was due to an increase in the valuation of common stock. Preferred stocks increased by $199 million, or 1.7%, to total $11.8 billion at year-end 1980.

At the end of 1980 life insurance companies held 3.5% of the total corporate stock outstanding. Among institutional investors, life insurers ranked third.

Historically, stocks have been a small percentage of total assets for reasons rooted in both the investment philosophy of the business and in the laws regulating life insurance. Stocks have not been heavily used as a major investment medium for funds backing life insurance policies because of the contractual guarantees for specified dollar amounts in these policies.

Legal restrictions on stock investments have also been quite specific. For many years life companies operating in New York State could not, under law, invest in any common stock. The law was first amended in 1951 to permit some investments of this type.

The growth of funding of pension plans with life companies and variable annuities through equity securities also has led to changes. The introduction of variable life insurance has also altered the situation. State laws generally permit certain assets of these and other plans to be maintained in an account separate from a company's other assets, with up to 100% invested in stocks or other equities. At year-end 1980, 49.7% of all common stocks were held in separate accounts.

# Mortgages

Life insurance company mortgage holdings at year-end 1980 amounted to $131.1 billion, or 27.4%, of total assets. The asset share for mortgage loans was unchanged from year-end 1979. The asset share had decreased in most years since 1966, when mortgages were 38.6% of total assets.

Farm mortgage holdings, which grew rapidly in the period of 1950 to 1968 and then remained fairly level for several years, have increased sharply in recent years. During 1980, farm mortgages held by life companies increased by $774 million, or 6.4%, to total $13.0 billion at the end of the year. This amount was 9.9% of total mortgages held by the companies at year-end 1980.

Classifications of nonfarm mortgage holdings by type of financing show that conventional mortgages have accounted for the growth in life insurance companies' nonfarm mortgage portfolios, while government-backed mortgages have decreased for a number of years. Loans guaranteed by the Veterans' Administration declined in nearly every year since 1957 and amounted to $2.8 billion at the end of 1980. Mortgages insured by the Federal Housing Administration (including loans in Canada insured under the Canadian National Hous-

## Mortgages

Owned by U.S. Life Insurance Companies *(000,000 Omitted)*

| Year | Farm | Non-farm | Total Amount | % of Assets | Year | Farm | Non-farm | Total Amount | % of Assets |
|---|---|---|---|---|---|---|---|---|---|
| 1890 | * | * | $ 310 | 40.2 | 1920 | $1,270 | $1,172 | $2,442 | 33.4 |
| 1895 | * | * | 412 | 35.6 | 1925 | 2,040 | 2,768 | 4,808 | 41.7 |
| 1900 | * | * | 501 | 28.8 | 1930 | 2,057 | 5,541 | 7,598 | 40.2 |
| 1905 | * | * | 724 | 26.7 | 1935 | 1,073 | 4,284 | 5,357 | 23.1 |
| 1910 | * | * | 1,227 | 31.7 | 1940 | 899 | 5,073 | 5,972 | 19.4 |
| 1915 | * | * | 1,779 | 34.3 | 1945 | 776 | 5,860 | 6,636 | 14.8 |

| Year | Farm | Nonfarm F.H.A.† | Nonfarm V.A. | Nonfarm Conventional | Total Amount | % of Assets |
|---|---|---|---|---|---|---|
| 1947 | $ 895 | $ 1,398 | $ 844 | $ 5,538 | $ 8,675 | 16.8 |
| 1950 | 1,327 | 4,573 | 2,026 | 8,176 | 16,102 | 25.1 |
| 1955 | 2,273 | 6,530 | 6,074 | 14,568 | 29,445 | 32.6 |
| 1960 | 2,982 | 9,290 | 6,901 | 22,598 | 41,771 | 34.9 |
| 1965 | 4,823 | 12,538 | 6,286 | 36,366 | 60,013 | 37.8 |
| 1966 | 5,240 | 12,852 | 6,201 | 40,316 | 64,609 | 38.6 |
| 1967 | 5,569 | 12,672 | 6,122 | 43,153 | 67,516 | 38.0 |
| 1968 | 5,801 | 12,469 | 5,954 | 45,749 | 69,973 | 37.1 |
| 1969 | 5,773 | 12,271 | 5,701 | 48,282 | 72,027 | 36.6 |
| 1970 | 5,649 | 12,001 | 5,394 | 51,331 | 74,375 | 35.9 |
| 1971 | 5,601 | 11,336 | 5,004 | 53,555 | 75,496 | 34.0 |
| 1972 | 5,678 | 10,512 | 4,660 | 56,098 | 76,948 | 32.1 |
| 1973 | 5,996 | 9,740 | 4,402 | 61,231 | 81,369 | 32.2 |
| 1974 | 6,327 | 9,115 | 4,178 | 66,614 | 86,234 | 32.8 |
| 1975 | 6,753 | 8,502 | 3,903 | 70,009 | 89,167 | 30.8 |
| 1976 | 7,425 | 7,838 | 3,603 | 72,686 | 91,552 | 28.5 |
| 1977 | 8,842 | 7,182 | 3,348 | 77,476 | 96,848 | 27.5 |
| 1978 | 10,499 | 6,705 | 3,164 | 85,799 | 106,167 | 27.2 |
| 1979 | 12,184 | 6,372 | 2,975 | 96,890 | 118,421 | 27.4 |
| 1980 | 12,958 | 6,066 | 2,781 | 109,275 | 131,080 | 27.4 |

*Breakdown not available.

†Includes mortgages insured under the Canadian National Housing Act; in 1980 this amounted to $528 million.

*Source: American Council of Life Insurance.*

# Mortgages Owned by U.S. Life Insurance Companies by State 1980 *(000 Omitted)*

| State | Farm | Nonfarm F.H.A. | Nonfarm V.A. | Nonfarm Conventional | Total |
|---|---|---|---|---|---|
| Alabama | $ 103,300 | $ 171,400 | $ 112,200 | $ 1,360,700 | $ 1,747,600 |
| Alaska | 14,000 | 4,800 | 500 | 254,000 | 273,300 |
| Arizona | 217,100 | 87,100 | 26,600 | 1,990,100 | 2,320,900 |
| Arkansas | 429,400 | 46,300 | 22,700 | 447,000 | 945,400 |
| California | 1,810,400 | 525,500 | 203,800 | 15,229,700 | 17,769,400 |
| Colorado | 401,700 | 193,400 | 170,100 | 2,968,200 | 3,733,400 |
| Connecticut | 400 | 19,600 | 8,200 | 1,101,500 | 1,129,700 |
| Delaware | 1,100 | 14,300 | 3,800 | 215,300 | 234,500 |
| D.C. | 100 | 31,800 | 7,500 | 1,571,800 | 1,611,200 |
| Florida | 493,000 | 403,800 | 180,200 | 5,440,000 | 6,517,000 |
| Georgia | 253,700 | 142,100 | 74,200 | 3,431,300 | 3,901,300 |
| Hawaii | 15,300 | 26,400 | 4,900 | 1,366,900 | 1,413,500 |
| Idaho | 256,200 | 14,400 | 9,700 | 265,500 | 545,800 |
| Illinois | 779,700 | 245,100 | 163,700 | 5,886,200 | 7,074,700 |
| Indiana | 525,700 | 120,600 | 52,600 | 2,133,400 | 2,832,300 |
| Iowa | 948,200 | 101,900 | 76,700 | 771,000 | 1,897,800 |
| Kansas | 449,400 | 37,800 | 18,600 | 987,300 | 1,493,100 |
| Kentucky | 186,500 | 98,300 | 44,000 | 1,168,600 | 1,497,400 |
| Louisiana | 317,100 | 97,300 | 93,400 | 2,042,600 | 2,550,400 |
| Maine | 5,700 | 3,100 | * | 137,000 | 145,800 |
| Maryland | 21,800 | 82,600 | 45,700 | 2,718,500 | 2,868,600 |
| Massachusetts | 2,200 | 72,700 | 1,100 | 1,830,600 | 1,906,600 |
| Michigan | 79,600 | 141,000 | 35,800 | 3,038,800 | 3,295,200 |
| Minnesota | 456,600 | 114,000 | 61,200 | 1,897,200 | 2,529,000 |
| Mississippi | 376,900 | 79,000 | 44,500 | 546,600 | 1,047,000 |
| Missouri | 479,900 | 105,600 | 57,600 | 1,951,600 | 2,594,700 |
| Montana | 377,200 | 18,800 | 3,700 | 143,400 | 543,100 |
| Nebraska | 695,300 | 55,900 | 34,300 | 586,800 | 1,372,300 |
| Nevada | 91,900 | 18,300 | 6,400 | 623,700 | 740,300 |
| New Hampshire | 5,700 | 3,200 | * | 219,200 | 228,100 |
| New Jersey | 4,000 | 108,500 | 26,800 | 3,208,100 | 3,347,400 |
| New Mexico | 104,400 | 34,200 | 17,000 | 364,500 | 520,100 |
| New York | 30,600 | 243,700 | 13,500 | 4,870,900 | 5,158,700 |
| North Carolina | 119,500 | 106,200 | 102,200 | 2,152,700 | 2,480,600 |
| North Dakota | 68,400 | 6,400 | 1,200 | 161,600 | 237,600 |
| Ohio | 298,000 | 237,800 | 114,700 | 3,247,300 | 3,897,800 |
| Oklahoma | 217,600 | 99,500 | 50,200 | 1,370,000 | 1,737,300 |
| Oregon | 233,000 | 52,100 | 5,300 | 1,077,800 | 1,368,200 |
| Pennsylvania | 35,800 | 85,500 | 31,900 | 2,631,900 | 2,785,100 |
| Rhode Island | 100 | 4,600 | 300 | 88,600 | 93,600 |
| South Carolina | 23,800 | 99,500 | 65,700 | 942,700 | 1,131,700 |
| South Dakota | 127,100 | 6,700 | 1,100 | 136,200 | 271,100 |
| Tennessee | 81,300 | 180,600 | 75,300 | 1,885,000 | 2,222,200 |
| Texas | 993,600 | 644,400 | 453,600 | 13,727,300 | 15,818,900 |
| Utah | 27,400 | 31,400 | 15,000 | 907,500 | 981,300 |
| Vermont | 1,200 | 3,200 | * | 40,800 | 45,200 |
| Virginia | 39,500 | 146,900 | 141,600 | 3,568,600 | 3,896,600 |
| Washington | 421,600 | 243,400 | 59,800 | 2,017,800 | 2,742,600 |
| West Virginia | 13,900 | 30,600 | 14,500 | 146,500 | 205,500 |
| Wisconsin | 148,700 | 66,300 | 16,900 | 1,185,600 | 1,417,500 |
| Wyoming | 143,200 | 14,100 | 7,400 | 126,700 | 291,400 |
| Puerto Rico | - | 16,300 | 3,300 | 278,900 | 298,500 |
| U.S. Territories and Possessions | - | - | - | 6,200 | 6,200 |
| Total U.S. | 12,927,800 | 5,538,000 | 2,781,000 | 106,467,700 | 127,714,500 |
| Canada | 16,700 | 528,000** | - | 2,745,200 | 3,289,900 |
| Other Foreign | 13,300 | - | - | 61,600 | 74,900 |
| TOTAL | $12,957,800 | $6,066,000 | $2,781,000 | $109,274,500 | $131,079,300 |

*Less than $50,000.

**Mortgages insured under the Canadian National Housing Act.

*Source: American Council of Life Insurance.*

ing Act) have decreased for fourteen consecutive years and amounted to $2.8 billion at year-end 1980.

A survey of the geographic distribution of the $131.1 billion in mortgage holdings of U.S. life companies at the end of 1980 showed that all but 2.6% were on properties located in the United States. By state, mortgage holdings were greatest in California where they totaled $17.8 billion.

By far the largest portion of mortgages on properties outside the United States in 1980 was $3.3 billion in Canada. Much of the investment outside the United States applies to reserves set aside in connection with policies bought by residents of foreign countries.

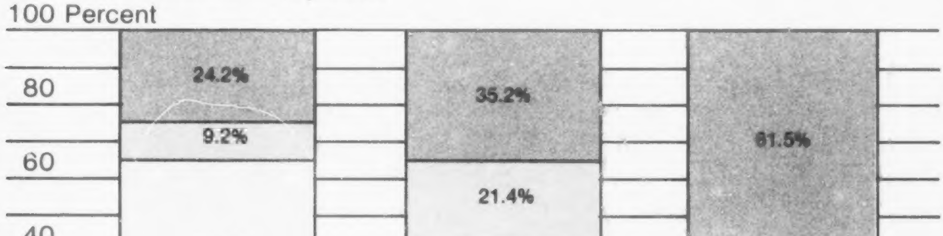
Mortgages held on properties in the United States showed a net increase during 1980 of a record $12.7 billion, compared with $12.3 billion in 1979. Loans on nonfarm, nonresidential properties alone increased by $9.6 billion during 1980. An analysis of life insurance companies' gross flow of mortgage loans during 1980 showed acquisitions of mortgages on properties in the U.S. totaled $19.5 billion while dispositions totaled $7.0 billion, primarily through repayments. Nonfarm, nonresidential mortgages (including land loans) continued to dominate life companies' mortgage acquisitions and holdings. But particularly notable in 1980 was the continued pace of lending on one-to-four family housing, which for the second time in recent years exceeded repayments.

Life insurance companies were heavily involved in the home mortgage market in the 1950s and more moderately involved in the first half of the 1960s. These mortgage holdings had been declining during the twelve years through 1978, but increased 12.4% in 1979 and 11.5% in 1980. At the end of 1980, one-to-four family housing accounted for 13.6% of total mortgages held by the companies on U.S. properties, compared with 35.7% at the end of 1970 and 59.4% at year-end 1960.

The 1960s saw life companies becoming more involved in mortgages on multifamily housing in response to the increasing loan demand that accompanied a rise in the construction of these housing units. Multifamily housing

**Distribution of Mortgages by Type In the United States**

U.S. Life Insurance Companies



mortgages accounted for 9.2% of mortgages held by life insurance companies on U.S. properties in 1960, 21.4% in 1970 and 14.8% in 1980. Holdings of multifamily housing mortgages decreased as a percentage of the total to 14.8% in 1980, amounting to $18.9 billion at year-end.

Life insurance company holdings of nonfarm, nonresidential mortgages rose at a fairly steady pace in the 1950s and 1960s and increased rapidly in the early 1970s. The properties underlying these mortgages cover a broad range of commercial, industrial and institutional uses, including retail stores and shopping centers, office buildings and factories, hospitals and medical centers. Holdings of these nonresidential mortgages represented 24.2% of U.S. mortgages held by life companies in 1960, 35.2% in 1970 and 61.5% in 1980. During 1980, these mortgage holdings increased by $12.6 billion, or 10.9%, to total $127.7 billion at the end of the year.

## Gross Flow of Mortgage Loans In the United States *(In Millions of Dollars)*

U.S. Life Insurance Companies

| | | Residential | | | |
|---|---|---|---|---|---|
| Year | Farm | 1-4 Family | Multi-family | Non-residential | Total |
| | | **Held Year-End** | | | |
| 1971 .......... | $ 5,564 | $23,801 | $16,170 | $27,842 | $ 73,377 |
| 1972 .......... | 5,643 | 21,549 | 16,750 | 30,824 | 74,766 |
| 1973 .......... | 5,965 | 19,720 | 17,817 | 35,541 | 79,043 |
| 1974 .......... | 6,297 | 18,353 | 18,915 | 40,114 | 83,679 |
| 1975 .......... | 6,726 | 16,926 | 18,890 | 43,839 | 86,381 |
| 1976 .......... | 7,400 | 15,463 | 18,439 | 47,264 | 88,566 |
| 1977 .......... | 8,819 | 14,045 | 17,895 | 52,970 | 93,729 |
| 1978 .......... | 10,478 | 13,862 | 18,251 | 60,289 | 102,880 |
| 1979 .......... | 12,165 | 15,586 | 18,507 | 68,876 | 115,134 |
| 1980 .......... | 12,928 | 17,381 | 18,910 | 78,496 | 127,715 |
| | | **Acquisitions During Year** | | | |
| 1971 .......... | 503 | 523 | 1,907 | 4,295 | 7,228 |
| 1972 .......... | 700 | 615 | 1,993 | 5,136 | 8,444 |
| 1973 .......... | 1,005 | 645 | 2,459 | 7,033 | 11,142 |
| 1974 .......... | 1,005 | 544 | 2,233 | 7,145 | 10,927 |
| 1975 .......... | 1,075 | 382 | 1,268 | 6,581 | 9,306 |
| 1976 .......... | 1,510 | 490 | 828 | 6,619 | 9,447 |
| 1977 .......... | 2,373 | 639 | 1,045 | 9,835 | 13,892 |
| 1978 .......... | 2,748 | 1,663 | 1,912 | 11,082 | 17,405 |
| 1979 .......... | 2,806 | 3,534 | 1,727 | 12,309 | 20,376 |
| 1980 .......... | 1,654 | 3,174 | 1,531 | 13,175 | 19,534 |
| | | **Dispositions During Year** | | | |
| 1971 .......... | 549 | 2,572 | 1,193 | 1,898 | 6,212 |
| 1972 .......... | 621 | 2,867 | 1,413 | 2,154 | 7,055 |
| 1973 .......... | 683 | 2,474 | 1,392 | 2,316 | 6,865 |
| 1974 .......... | 673 | 1,911 | 1,135 | 2,572 | 6,291 |
| 1975 .......... | 646 | 1,809 | 1,293 | 2,856 | 6,604 |
| 1976 .......... | 836 | 1,953 | 1,279 | 3,194 | 7,262 |
| 1977 .......... | 954 | 2,057 | 1,589 | 4,129 | 8,729 |
| 1978 .......... | 1,089 | 1,846 | 1,556 | 3,763 | 8,254 |
| 1979 .......... | 1,119 | 1,810 | 1,471 | 3,722 | 8,122 |
| 1980 .......... | 891 | 1,379 | 1,128 | 3,555 | 6,953 |

*Source: American Council of Life Insurance.*

## Real Estate

U.S. life insurance companies increased their holdings of directly owned real estate to $15.0 billion at the end of 1980, an increase of $2.0 billion, or 15.6%, during the year. This follows an increase of 10.6% in 1979.

The total of these holdings has moved upward steadily for almost three decades, making possible a variety of industrial and business facilities and housing for many families. Well over half of the growth in the last four years has been accounted for by real estate acquired for investment purposes. Holdings for the companies' own use have also increased as the growth in business has led to the need for additional space. Real estate amounted to 3.1% of the companies' assets at the end of 1980.

Investments in commercial and residential properties accounted for $11.3 billion, or 75.4% of the 1980 total real estate holdings; the life companies' own home and branch offices accounted for $2.9 billion, or 19.3%; and the balance was accounted for by other types of real estate, mainly properties acquired in settlement of mortgage debt.

Life insurance companies were pioneers in the construction of large apartment complexes under their ownership. Many companies have encouraged the construction of shopping centers by purchasing them from developers and leasing them back for management. And some have been active in the construction of multipurpose skyscrapers and downtown centers whose ownership they retain.

A survey of the geographic distribution of real estate owned by U.S. life insurance companies at the end of 1979 shows that all but 1.5% of the total were properties located in the United States. By far the largest part of real estate investment outside the United States was $184 million in Canada.

### Real Estate

Owned by U.S. Life Insurance Companies *(000,000 Omitted)*

| Year | Amount | % of Assets | Year | Amount | % of Assets |
|---|---|---|---|---|---|
| 1890 | $ 81 | 10.5 | 1964 | $ 4,528 | 3.0 |
| 1895 | 125 | 10.8 | 1965 | 4,681 | 3.0 |
| 1900 | 158 | 9.1 | 1966 | 4,885 | 2.9 |
| 1905 | 171 | 6.3 | 1967 | 5,187 | 2.9 |
| 1910 | 173 | 4.5 | 1968 | 5,571 | 3.0 |
| 1915 | 173 | 3.3 | 1969 | 5,912 | 3.0 |
| 1920 | 172 | 2.3 | 1970 | 6,320 | 3.0 |
| 1925 | 266 | 2.3 | 1971 | 6,904 | 3.1 |
| 1930 | 548 | 2.9 | 1972 | 7,295 | 3.0 |
| 1935 | 1,990 | 8.6 | 1973 | 7,693 | 3.0 |
| 1940 | 2,065 | 6.7 | 1974 | 8,331 | 3.2 |
| 1945 | 857 | 1.9 | 1975 | 9,621 | 3.3 |
| 1950 | 1,445 | 2.2 | 1976 | 10,476 | 3.3 |
| 1955 | 2,581 | 2.9 | 1977 | 11,060 | 3.2 |
| 1960 | 3,765 | 3.1 | 1978 | 11,764 | 3.0 |
| 1961 | 4,007 | 3.2 | 1979 | 13,007 | 3.0 |
| 1962 | 4,107 | 3.1 | 1980 | 15,033 | 3.1 |
| 1963 | 4,319 | 3.1 | | | |

*Sources:* Spectator Year Book *and American Council of Life Insurance.*

## Real Estate Owned by U.S. Life Insurance Companies by State 1979 *(000 Omitted)*

| State | Farm | Other | Total |
|---|---|---|---|
| Alabama | $ 1,000 | $ 74,800 | $ 75,800 |
| Alaska | — | 4,400 | 4,400 |
| Arizona | 4,000 | 155,400 | 159,400 |
| Arkansas | 23,000 | 27,600 | 50,600 |
| California | 63,900 | 1,756,100 | 1,820,000 |
| Colorado | 13,700 | 125,400 | 139,100 |
| Connecticut | — | 333,500 | 333,500 |
| Delaware | — | 10,800 | 10,800 |
| D.C. | — | 115,300 | 115,300 |
| Florida | 5,700 | 759,600 | 765,300 |
| Georgia | 3,400 | 401,200 | 404,600 |
| Hawaii | — | 85,000 | 85,000 |
| Idaho | 4,000 | 8,200 | 12,200 |
| Illinois | 17,300 | 978,400 | 995,700 |
| Indiana | 2,600 | 281,300 | 283,900 |
| Iowa | 200 | 71,000 | 71,200 |
| Kansas | — | 88,000 | 88,000 |
| Kentucky | — | 94,100 | 94,100 |
| Louisiana | 300 | 139,900 | 140,200 |
| Maine | — | 14,900 | 14,900 |
| Maryland | 100 | 252,600 | 252,700 |
| Massachusetts | — | 641,800 | 641,800 |
| Michigan | * | 399,700 | 399,700 |
| Minnesota | 100 | 388,500 | 388,600 |
| Mississippi | 44,500 | 39,800 | 84,300 |
| Missouri | 2,400 | 258,600 | 261,000 |
| Montana | * | 8,300 | 8,300 |
| Nebraska | 700 | 190,700 | 191,400 |
| Nevada | 1,100 | 11,000 | 12,100 |
| New Hampshire | — | 2,700 | 2,700 |
| New Jersey | * | 522,500 | 522,500 |
| New Mexico | 100 | 65,000 | 65,100 |
| New York | — | 1,198,300 | 1,198,300 |
| North Carolina | 20,000 | 109,000 | 129,000 |
| North Dakota | — | 10,900 | 10,900 |
| Ohio | 500 | 396,100 | 396,600 |
| Oklahoma | 200 | 112,100 | 112,300 |
| Oregon | 12,100 | 77,200 | 89,300 |
| Pennsylvania | — | 553,100 | 553,100 |
| Rhode Island | — | 36,500 | 36,500 |
| South Carolina | 4,100 | 78,100 | 82,200 |
| South Dakota | — | 12,600 | 12,600 |
| Tennessee | 2,800 | 268,900 | 271,700 |
| Texas | 8,400 | 867,200 | 875,600 |
| Utah | 700 | 34,800 | 35,500 |
| Vermont | — | 8,700 | 8,700 |
| Virginia | 700 | 215,600 | 216,300 |
| Washington | 1,500 | 91,800 | 93,300 |
| West Virginia | — | 20,800 | 20,800 |
| Wisconsin | 1,400 | 160,200 | 161,600 |
| Wyoming | 900 | 1,300 | 2,200 |
| Puerto Rico | — | 14,800 | 14,800 |
| U.S. Territories and Possessions | — | 3,000 | 3,000 |
| Total United States | 241,400 | 12,577,100 | 12,818,500 |
| Canada | — | 183,500 | 183,500 |
| Other Foreign | — | 5,300 | 5,300 |
| TOTAL | $241,400 | $12,765,900 | $13,007,300 |

*Less than $500,000.

*Source: American Council of Life Insurance.*

# Policy Loans

Life insurance company loans to policyholders against the cash values of their life policies amounted to $41.4 billion in 1980, a net increase of $6.6 billion after repayments. This increase exceeds the previous record increase of $4.7 billion set in 1979.

Policy loans outstanding accounted for 8.6% of company assets at year-end 1980, up from 8.1% in 1979. The amount of policy loans has been increasing for more than two decades. They did not, however, exceed 5.0% of company assets between 1945 and 1965.

The amount of policy loans outstanding increased 18.9% between 1979 and 1980. The relatively large increases during the past several years are related to the general levels of interest rates on other forms of borrowing. The interest rate guaranteed in a life insurance policy has been relatively lower than could be obtained elsewhere.

Tight money conditions led to sharp increases in policy loans in 1973-1974, and again in 1979-1980. The trend indicates that a policy loan interest rate more closely related to the general level of interest rates is appropriate. Legislation recently enacted in almost all states has permitted higher rates in the loan provision of new policies. Legislation permitting flexible policy loan interest rates, based on an index of corporate bonds, was introduced in many states in 1981.

Life companies must make policy loans from funds that they would otherwise invest. Since premium rates are based in part on an anticipated investment return, interest must be charged on the loans. At the same time, the amount of a policy's protection is reduced by the amount of a loan, and policyholders are advised by their life companies that an outstanding loan can seriously impair a family's insurance planning. None of the amounts of policy loans shown here include loans made to policyholders by banks or by other lending institutions holding the borrowers' life insurance policies as collateral.

## Policy Loans

U.S. Life Insurance Companies *(000,000 Omitted)*

| Year | Amount | % of Assets | Year | Amount | % of Assets |
|---|---|---|---|---|---|
| 1890 | $ 20 | 2.6 | 1966 | $ 9,117 | 5.5 |
| 1895 | 36 | 3.1 | 1967 | 10,059 | 5.7 |
| 1900 | 89 | 5.1 | 1968 | 11,306 | 6.0 |
| 1905 | 226 | 8.3 | 1969 | 13,825 | 7.0 |
| 1910 | 495 | 12.8 | 1970 | 16,064 | 7.8 |
| 1915 | 780 | 15.0 | 1971 | 17,065 | 7.7 |
| 1920 | 859 | 11.7 | 1972 | 18,003 | 7.5 |
| 1925 | 1,446 | 12.5 | 1973 | 20,199 | 8.0 |
| 1930 | 2,807 | 14.9 | 1974 | 22,862 | 8.7 |
| 1935 | 3,540 | 15.2 | 1975 | 24,467 | 8.5 |
| 1940 | 3,091 | 10.0 | 1976 | 25,834 | 8.0 |
| 1945 | 1,962 | 4.4 | 1977 | 27,556 | 7.8 |
| 1950 | 2,413 | 3.8 | 1978 | 30,146 | 7.8 |
| 1955 | 3,290 | 3.6 | 1979 | 34,825 | 8.1 |
| 1960 | 5,231 | 4.4 | 1980 | 41,411 | 8.6 |
| 1965 | 7,678 | 4.8 | | | |

*Sources:* Spectator Year Book *and American Council of Life Insurance.*

# Miscellaneous Assets

U.S. life insurance companies held $31.7 billion in miscellaneous assets at the end of 1980.

Two major components accounting for nearly two-thirds of the total are due and deferred premiums, and interest and other investment income due and accrued. Due and deferred premiums are premiums that had not yet been received at the end of the year, but for which reserves had been established by the companies. Due and accrued investment income is income that had been earned but not yet received.

Another major item is cash holdings, relatively moderate amounts of which are needed for prompt payments to beneficiaries, policy loans and other services. Other miscellaneous assets illustrate a variety of investment outlets. Assets in the miscellaneous category include electronic data processing equipment, and oil, mineral and timber rights. Life insurance companies have also made investments in the Alaska pipeline.

Many life companies own equipment for lease-back to other businesses. At year-end 1980, $117 million was invested in transportation equipment, including jet aircraft, railroad cars and automotive fleets. Another $2.2 billion reported under miscellaneous assets was invested in real estate joint ventures. Under these holdings, the life company forms a partnership with others to share in the ownership, operation, risk and profit of the property.

## Miscellaneous Assets

U.S. Life Insurance Companies *(000,000 Omitted)*

| Year | Amount | % of Assets | Year | Amount | % of Assets |
|---|---|---|---|---|---|
| 1890 | $ 89 | 11.5 | 1925 | $ 604 | 5.3 |
| 1895 | 111 | 9.6 | 1930 | 977 | 5.2 |
| 1900 | 192 | 11.0 | 1935 | 1,705 | 7.3 |
| 1905 | 201 | 7.4 | 1940 | 1,977 | 6.3 |
| 1910 | 191 | 4.9 | 1945 | 1,738 | 3.9 |
| 1915 | 282 | 5.4 | 1950 | 2,591 | 4.1 |
| 1920 | 474 | 6.5 | 1955 | 3,742 | 4.1 |

| Year | Cash | Due and Deferred Premiums | Due and Accrued Investment Income | Other | Total Amount | % of Assets |
|---|---|---|---|---|---|---|
| 1960 | $1,330 | $ 2,379 | $1,006 | $ 558 | $ 5,273 | 4.4 |
| 1965 | 1,503 | 3,303 | 1,403 | 1,025 | 7,234 | 4.5 |
| 1966 | 1,547 | 3,673 | 1,529 | 1,048 | 7,797 | 4.6 |
| 1967 | 1,576 | 3,963 | 1,674 | 1,214 | 8,427 | 4.7 |
| 1968 | 1,682 | 4,302 | 1,813 | 1,353 | 9,150 | 4.8 |
| 1969 | 1,634 | 4,688 | 1,985 | 1,657 | 9,964 | 5.0 |
| 1970 | 1,758 | 5,118 | 2,185 | 1,848 | 10,909 | 5.3 |
| 1971 | 1,763 | 5,436 | 2,404 | 2,229 | 11,832 | 5.3 |
| 1972 | 1,981 | 5,976 | 2,679 | 2,491 | 13,127 | 5.5 |
| 1973 | 2,071 | 6,376 | 2,932 | 2,678 | 14,057 | 5.6 |
| 1974 | 1,999 | 7,086 | 3,263 | 3,037 | 15,385 | 5.8 |
| 1975 | 1,925 | 7,744 | 3,741 | 3,564 | 16,974 | 5.9 |
| 1976 | 2,003 | 8,375 | 4,349 | 3,775 | 18,502 | 5.7 |
| 1977 | 2,130 | 9,284 | 5,048 | 4,589 | 21,051 | 6.0 |
| 1978 | 2,367 | 10,349 | 5,844 | 5,173 | 23,733 | 6.1 |
| 1979 | 2,670 | 11,692 | 6,555 | 6,646 | 27,563 | 6.3 |
| 1980 | 3,210 | 12,939 | 7,419 | 8,134 | 31,702 | 6.6 |

*Sources:* Spectator Year Book *and American Council of Life Insurance.*

# Assets Held In Separate Accounts

Separate account investments totaled $35.8 billion at the end of 1980. Holdings in these accounts increased by $10.1 billion, or 39.5%, during the year.

Of the total amount held, $17.7 billion, or 49.4%, was in common stocks, compared with $12.9 billion, or 50.2%, at the end of 1979. Acquisitions of common stocks for separate accounts amounted to $7.5 billion in 1980 and $6.6 billion of common stocks were disposed of during the year. The increase in common stocks of $4.8 billion consisted of net acquisitions of $826 million and an increase in valuation of $4.0 billion. Holdings of bonds increased 34.9% to $12.4 billion during 1980. Real estate holdings increased by $1.2 billion, or 59.3%, in 1980, including an increase in value of $218 million.

Separate accounts were first used by U.S. life insurance companies in connection with their pension business in the early 1960s. A separate account is a fund established by a life insurance company and held separately from all other assets. State laws provide that assets in separate accounts may be invested without regard to the restrictions that are usually placed on the general investments of life companies. Thus, a separate account portfolio might be comprised of only common stocks, only bonds, only mortgages, or some combination of these investments.

While separate accounts have been used primarily to fund individual and group annuities, the introduction of variable life insurance will increase the use of separate accounting for life insurance purposes. At the end of 1980, four life companies had established separate accounts to back variable life insurance policies.

## Distribution of Assets Held in Separate Accounts

U.S. Life Insurance Companies *(000,000 Omitted)*

| Year | Bonds | Stocks | | Mortgages | Real Estate | Cash | Other | Total |
|---|---|---|---|---|---|---|---|---|
| | | Common | Preferred | | | | | |
| 1967 ....... | $ 114 | $ 1,055 | $ 9 | $ 14 | * | $ 13 | $ 2 | $ 1,207 |
| 1968 ....... | 233 | 1,915 | 31 | 20 | $ 1 | 48 | 21 | 2,269 |
| 1969 ....... | 638 | 2,745 | 48 | 36 | 1 | 52 | 99 | 3,619 |
| 1970 ....... | 878 | 3,955 | 86 | 37 | 2 | 69 | 34 | 5,061 |
| 1971 ....... | 763 | 6,416 | 83 | 87 | 24 | 88 | 62 | 7,523 |
| 1972 ....... | 948 | 8,673 | 71 | 120 | 96 | 68 | 82 | 10,058 |
| 1973 ....... | 1,581 | 7,900 | 53 | 171 | 186 | 64 | 75 | 10,030 |
| 1974 ....... | 2,326 | 6,158 | 34 | 202 | 372 | 57 | 127 | 9,276 |
| 1975 ....... | 2,553 | 9,277 | 46 | 200 | 563 | 55 | 279 | 12,973 |
| 1976 ....... | 2,750 | 12,152 | 67 | 214 | 653 | 41 | 346 | 16,223 |
| 1977 ....... | 4,569 | 10,946 | 51 | 268 | 803 | 43 | 678 | 17,358 |
| 1978 ....... | 6,604 | 11,493 | 35 | 311 | 1,146 | 45 | 792 | 20,426 |
| 1979 ....... | 9,187 | 12,868 | 34 | 410 | 2,097 | 50 | 998 | 25,644 |
| 1980 ....... | 12,392 | 17,665 | 40 | 687 | 3,341 | 307 | 1,340 | 35,772 |

Note: In 1980, 140 U.S. life companies had assets in separate accounts, compared with 125 companies in 1979, 123 in 1978 and 125 in 1977.

*Less than $500,000.

*Source: American Council of Life Insurance.*

# LIFE INSURANCE COMPANIES

The number of U.S. legal reserve life insurance companies in business at the end of 1980 totaled an estimated 1,948.

Growth in the number of companies was most rapid between the end of World War II and 1970. The number of companies reached an all-time high in 1980 following a period of relative decline between 1970-1977. The data shown here do not include fraternal benefit societies although they operate on a legal reserve basis.

The great majority of companies added through the years were newly-formed organizations. The others had converted from fraternal and assessment life insurers, or from nonlife insurers, to a legal reserve life company status. Some had been formed by consolidation of two or more existing companies. Others were set up to take over the business of another company. Still others had been reactivated after being dormant. (Companies not actively in business are not included in the total, even though they may be chartered and licensed.)

Most companies that discontinued operations did so by merging with or into other insurers or had all their outstanding business reinsured in other life insurance companies. The remaining companies terminated for various reasons, including conversion to nonlife company status.

The majority of small new companies formed in recent years remain in business. By specializing in meeting the needs of families in specific regions, many have been able to compete successfully with older and larger companies whose operations encompass larger areas.

Of the companies in business at mid-1980, there were at least two domiciled in each state with the exception of Alaska, which has one. Arizona had the largest number, followed by Texas and Louisiana.

### Number of U.S. Life Insurance Companies

| Year | Number | Year | Number | Year | Number |
|---|---|---|---|---|---|
| 1759 | 1 | 1905 | 126 | 1965 | 1,629 |
| 1760 | 1 | 1910 | 284 | 1966 | 1,704 |
| 1770 | 2 | 1915 | 295 | 1967 | 1,715 |
| 1780 | 2 | 1920 | 335 | 1968 | 1,763 |
| 1790 | 3 | 1925 | 379 | 1969 | 1,773 |
| 1800 | 4 | 1930 | 438 | 1970 | 1,780 |
| 1810 | 2 | 1935 | 373 | 1971 | 1,765 |
| 1820 | 6 | 1940 | 444 | 1972 | 1,753 |
| 1830 | 9 | 1945 | 473 | 1973 | 1,766 |
| 1840 | 15 | 1950 | 649 | 1974 | 1,757 |
| 1850 | 48 | 1955 | 1,107 | 1975 | 1,746 |
| 1860 | 43 | 1960 | 1,441 | 1976 | 1,742 |
| 1870 | 129 | 1961 | 1,448 | 1977 | 1,789 |
| 1880 | 59 | 1962 | 1,469 | 1978 | 1,840 |
| 1890 | 60 | 1963 | 1,488 | 1979 | 1,895 |
| 1900 | 84 | 1964 | 1,547 | 1980 | 1,948 |

Note: Data for 1979 are revised. The figure for 1980 is preliminary.

*Sources:* Marketing Life Insurance *(J. Owen Stalson), American Council of Life Insurance and* Best's Review.

In mid-year 1980, most stock companies were located in either the South, 37%, or the West, 36%, with the remaining companies in the North Central region, 18%, and the Northeast, 9%. Mutual companies were domiciled predominantly in the North Central region, 53% of the total, followed by 28% in the Northeast, 13% in the South and 6% in the West.

Of the companies in business at mid-year 1980, a total of 1,796, or 93%, were owned by stockholders. The remaining 135 were mutual companies. Mutual companies, which are generally older and larger than the stockholder-owned companies, had three-fifths of the assets of all U.S. life companies and accounted for 50% of life insurance in force. In the past 14 years, five companies have converted from the status of a mutual company to a stock company and one stock company has converted to a mutual.

At year-end 1979, there were 243 life insurance companies that had been in business more than 50 years. Among these, 36 were at least a century old. In each of the four geographic divisions of the United States there was at least one company that commenced business 100 years ago or earlier.

The older companies, those over 100 years old, held the majority of assets and life insurance in force at the end of 1979, 62.2% and 50.7%, respectively. Companies in business between 50 and 100 years accounted for 22.8% of the assets and 25.9% of the total in force. Younger companies—those in business for 25 to 50 years—had 6.1% of the assets and 9.0% of the life insurance in force. The relatively newer companies, those in business less than 25 years, had 8.9% of assets and 14.4% of the insurance in force.

## Number of U.S. Life Insurance Companies by State Mid-Year 1980

| State | Number | State | Number | State | Number |
|---|---|---|---|---|---|
| Alabama | 34 | Louisiana | 99 | Oklahoma | 69 |
| Alaska | 1 | Maine | 4 | Oregon | 7 |
| Arizona | 508 | Maryland | 11 | Pennsylvania | 60 |
| Arkansas | 23 | Massachusetts | 17 | Rhode Island | 8 |
| California | 50 | Michigan | 24 | South Carolina | 29 |
| Colorado | 23 | Minnesota | 23 | South Dakota | 9 |
| Connecticut | 17 | Mississippi | 25 | Tennessee | 24 |
| Delaware | 34 | Missouri | 41 | Texas | 205 |
| D.C. | 9 | Montana | 3 | Utah | 14 |
| Florida | 38 | Nebraska | 29 | Vermont | 4 |
| Georgia | 27 | Nevada | 3 | Virginia | 15 |
| Hawaii | 8 | New Hampshire | 4 | Washington | 19 |
| Idaho | 7 | New Jersey | 15 | West Virginia | 2 |
| Illinois | 86 | New Mexico | 8 | Wisconsin | 28 |
| Indiana | 55 | New York | 67 | Wyoming | 2 |
| Iowa | 34 | North Carolina | 21 | | |
| Kansas | 20 | North Dakota | 9 | Total U.S. | 1,931 |
| Kentucky | 14 | Ohio | 45 | | |

Note: Data are based on reports from individual state insurance departments. These companies are considered legal reserve life insurance companies by their respective state insurance departments but may not meet the requirements for this classification as set by other states.

*Source: American Council of Life Insurance.*

## Change in Number of U.S. Life Insurance Companies in Business in the United States

| Year | In Business Start of Year | | | New Oper-ations | Discon-tinued | In Business Year-End | | | Net Changes During Year |
|---|---|---|---|---|---|---|---|---|---|
| | Stock | Mutual | Total | | | Stock | Mutual | Total | |
| 1950 | 478 | 133 | 611 | 44 | 6 | 507 | 142 | 649 | + 38 |
| 1951 | 507 | 142 | 649 | 50 | 20 | 531 | 148 | 679 | + 30 |
| 1952 | 531 | 148 | 679 | 62 | 11 | 567 | 163 | 730 | + 51 |
| 1953 | 567 | 163 | 730 | 117 | 15 | 661 | 171 | 832 | + 102 |
| 1954 | 661 | 171 | 832 | 115 | 30 | 753 | 164 | 917 | + 85 |
| 1955 | 753 | 164 | 917 | 216 | 26 | 942 | 165 | 1,107 | + 190 |
| 1956 | 942 | 165 | 1,107 | 133 | 49 | 1,035 | 156 | 1,191 | + 84 |
| 1957 | 1,035 | 156 | 1,191 | 120 | 38 | 1,119 | 154 | 1,273 | + 82 |
| 1958 | 1,119 | 154 | 1,273 | 142 | 50 | 1,212 | 153 | 1,365 | + 92 |
| 1959* | 1,212 | 153 | 1,365 | 125 | 65 | 1,273 | 152 | 1,425 | + 60 |
| 1960 | 1,273 | 152 | 1,425 | 96 | 80 | 1,286 | 155 | 1,441 | + 16 |
| 1961 | 1,286 | 155 | 1,441 | 87 | 80 | 1,292 | 156 | 1,448 | + 7 |
| 1962 | 1,292 | 156 | 1,448 | 101 | 80 | 1,312 | 157 | 1,469 | + 21 |
| 1963 | 1,312 | 157 | 1,469 | 86 | 67 | 1,332 | 156 | 1,488 | + 19 |
| 1964 | 1,332 | 156 | 1,488 | 131 | 72 | 1,393 | 154 | 1,547 | + 59 |
| 1965 | 1,393 | 154 | 1,547 | 149 | 67 | 1,475 | 154 | 1,629 | + 82 |
| 1966 | 1,475 | 154 | 1,629 | 156 | 81 | 1,550 | 154 | 1,704 | + 75 |
| 1967 | 1,550 | 154 | 1,704 | 90 | 79 | 1,561 | 154 | 1,715 | + 11 |
| 1968 | 1,561 | 154 | 1,715 | 112 | 64 | 1,608 | 155 | 1,763 | + 48 |
| 1969 | 1,608 | 155 | 1,763 | 74 | 64 | 1,619 | 154 | 1,773 | + 10 |
| 1970 | 1,619 | 154 | 1,773 | 73 | 66 | 1,627 | 153 | 1,780 | + 7 |
| 1971 | 1,627 | 153 | 1,780 | 49 | 64 | 1,612 | 153 | 1,765 | — 15 |
| 1972 | 1,612 | 153 | 1,765 | 76 | 88 | 1,603 | 150 | 1,753 | — 12 |
| 1973 | 1,603 | 150 | 1,753 | 75 | 62 | 1,619 | 147 | 1,766 | + 13 |
| 1974 | 1,619 | 147 | 1,766 | 73 | 82 | 1,612 | 145 | 1,757 | — 9 |
| 1975 | 1,612 | 145 | 1,757 | 63 | 74 | 1,603 | 143 | 1,746 | — 11 |
| 1976 | 1,603 | 143 | 1,746 | 85 | 89 | 1,602 | 140 | 1,742 | — 4 |
| 1977 | 1,602 | 140 | 1,742 | 89 | 42 | 1,647 | 142 | 1,789 | + 47 |
| 1978 | 1,647 | 142 | 1,789 | 117 | 66 | 1,700 | 140 | 1,840 | + 51 |
| 1979 | 1,700 | 140 | 1,840 | 116 | 61 | 1,758 | 137 | 1,895 | + 55 |
| 1980 | 1,758 | 137 | 1,895 | N.A. | N.A. | N.A. | N.A. | 1,948 | N.A. |

Note: Data for 1978 and 1979 are revised. The figure for year-end 1980 is preliminary. A change in domicile is reflected in both new and discontinued operations.

N.A.—Not available.

*Includes seven companies domiciled in Alaska and Hawaii which were started in earlier years.

*Source: American Council of Life Insurance.*

## Number of U.S. Life Insurance Compan In Business Year-End 1979

| Year Commenced Business | Stock | Mutua | Total |
|---|---|---|---|
| 1875 and Prior | 8 | 22 | 30 |
| 1876-1925 | 143 | 34 | 177 |
| 1926-1950 | 195 | 39 | 234 |
| 1951-1960 | 335 | 21 | 356 |
| 1961-1970 | 481 | 20 | 501 |
| 1971-1979 | 596 | 1 | 597 |
| Total | 1,758 | 137 | 1,895 |

*Source: American Council of Life Insurance.*

# EMPLOYMENT IN INSURANCE

The insurance business in the United States employed an estimated 1,895,000 persons in all of its branches in 1980.

Government data on employees of insurance agencies and home offices in 1980 on an establishment basis show a total of 1,240,400 insurance home office personnel (539,800 in life insurance) and 454,100 insurance agents, brokers and service personnel. Women accounted for 61% of home office personnel (55% of life insurance home office personnel), and 62% of agents, brokers and service personnel. These data do not include an estimated 200,000 independent agents and agents for whom employment in insurance is a secondary source of income.

During 1967, the most recent year for which detailed data are available, some 740,000 persons worked in life insurance, either exclusively or together with other kinds of insurance. About 570,000 persons worked solely in other branches of insurance, mostly property, casualty and liability lines, bringing the total in that year to 1,310,000.

Employment in the insurance business continues to rise. However, increases in personnel have been relatively smaller than increases in sales, indicating larger unit sales and more efficiency in handling the detailed records necessary in any insurance operation. Automation is particularly suitable for many phases of insurance work and has contributed measurably to efficiency.

Sales personnel numbered about 450,000 in 1967. Almost half of them — 220,000 persons—derived from 50% to 100% of their income from the sale of life insurance; the other 230,000 derived less than 50%.

In 1967, the insurance business employed 690,000 men and 620,000 women. The sales force was predominantly male, but women outnumbered men in nonsales work. Nearly 75% of nonsales personnel were clerical, and of these about 80% were women. Close to 20% of nonsales workers were in managerial positions, while the remaining 6% of workers were professional or technical.

## Number of Persons Employed In Insurance In the United States

| Year | Annual Average |
|---|---|
| 1945 | 600,000 |
| 1950 | 800,000 |
| 1955 | 900,000 |
| 1960 | 1,105,000 |
| 1965 | 1,225,000 |
| 1970 | 1,460,000 |
| 1975 | 1,640,000 |
| 1976 | 1,675,000 |
| 1977 | 1,690,000 |
| 1978 | 1,776,000 |
| 1979 | 1,839,000 |
| 1980 | 1,895,000* |

**Estimated by American Council of Life Insurance based on establishment data from the U.S. Department of Labor.*

*Sources: American Council of Life Insurance and U.S. Department of Labor.*

# LIFE EXPECTANCY

The average length of a person's life in the United States has increased by more than 50% during this century.

Most of the improvement in life expectancy took place during the first half of the century. Little change has occurred since the mid-1950s. Between 1900 and 1955, life expectancy increased by 22.3 years, but since 1955, it has increased by only 4.2 years to 73.8 years in 1979 (the latest year for which data are available).

But while this century's advances in medicine, public health and safety have added to people's lives, the benefits have not been distributed equally. By far the largest increase in life expectancy has been among the newborn as a result of sharp reductions in mortality among infants and young children. Increases in life expectancy have been progressively smaller at older ages, and smaller for men than for women at all ages.

The measure of life expectancy results from the calculation of the average number of years of life that remain to a group of persons now at the same age, based on a particular mortality table. The measurement refers to the entire group and cannot be taken to indicate how long a particular individual may expect to live.

The gain in life expectancy for women since the turn of the century has been greater than for men at nearly all ages. Female life expectancy at birth has increased by 29.5 years since 1900, while male life expectancy has increased by 23.6 years. The difference in the average length of life between men and women has increased. Life expectancy at age 40 was about 1.4 years longer for a woman than for a man at the turn of the century; it is now 7.9 years longer.

## Expectation of Life At Birth in the United States (Years)

| | White | | | All Other | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| Year | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| 1900 ...... | 46.6 | 48.7 | 47.6 | 32.5 | 33.5 | 33.0 | 46.3 | 48.3 | 47.3 |
| 1910 ...... | 48.6 | 52.0 | 50.3 | 33.8 | 37.5 | 35.6 | 48.4 | 51.8 | 50.0 |
| 1920 ...... | 54.4 | 55.6 | 54.9 | 45.5 | 45.2 | 45.3 | 53.6 | 54.6 | 54.1 |
| 1930 ...... | 59.7 | 63.5 | 61.4 | 47.3 | 49.2 | 48.1 | 58.1 | 61.6 | 59.7 |
| 1940 ...... | 62.1 | 66.6 | 64.2 | 51.5 | 54.9 | 53.1 | 60.8 | 65.2 | 62.9 |
| 1950 ...... | 66.5 | 72.2 | 69.1 | 59.1 | 62.9 | 60.8 | 65.6 | 71.1 | 68.2 |
| 1960 ...... | 67.4 | 74.1 | 70.6 | 61.1 | 66.3 | 63.6 | 66.6 | 73.1 | 69.7 |
| 1961 ...... | 67.8 | 74.5 | 71.0 | 61.9 | 67.0 | 64.4 | 67.0 | 73.6 | 70.2 |
| 1962 ...... | 67.6 | 74.4 | 70.9 | 61.5 | 66.8 | 64.1 | 66.8 | 73.4 | 70.0 |
| 1963 ...... | 67.5 | 74.4 | 70.8 | 60.9 | 66.5 | 63.6 | 66.6 | 73.4 | 69.9 |
| 1964 ...... | 67.7 | 74.6 | 71.0 | 61.1 | 67.2 | 64.1 | 66.9 | 73.7 | 70.2 |
| 1965 ...... | 67.6 | 74.7 | 71.0 | 61.1 | 67.4 | 64.1 | 66.8 | 73.7 | 70.2 |
| 1966 ...... | 67.6 | 74.7 | 71.0 | 60.7 | 67.4 | 64.0 | 66.7 | 73.8 | 70.1 |
| 1967 ...... | 67.8 | 75.1 | 71.3 | 61.1 | 68.2 | 64.6 | 67.0 | 74.2 | 70.5 |
| 1968 ...... | 67.5 | 74.9 | 71.1 | 60.1 | 67.5 | 63.7 | 66.6 | 74.0 | 70.2 |
| 1969 ...... | 67.8 | 75.1 | 71.3 | 60.5 | 68.4 | 64.3 | 66.8 | 74.3 | 70.4 |
| 1970 ...... | 68.0 | 75.6 | 71.7 | 61.3 | 69.4 | 65.3 | 67.1 | 74.8 | 70.9 |
| 1971 ...... | 68.3 | 75.8 | 72.0 | 61.6 | 69.7 | 65.6 | 67.4 | 75.0 | 71.1 |
| 1972 ...... | 68.3 | 75.9 | 72.0 | 61.5 | 69.9 | 65.6 | 67.4 | 75.1 | 71.1 |
| 1973 ...... | 68.4 | 76.1 | 72.2 | 61.9 | 70.1 | 65.9 | 67.6 | 75.3 | 71.3 |
| 1974 ...... | 68.9 | 76.6 | 72.7 | 62.9 | 71.2 | 67.0 | 68.2 | 75.9 | 71.9 |
| 1975 ...... | 69.4 | 77.2 | 73.2 | 63.6 | 72.3 | 67.9 | 68.7 | 76.5 | 72.5 |
| 1976 ...... | 69.7 | 77.3 | 73.5 | 64.1 | 72.6 | 68.3 | 69.0 | 76.7 | 72.8 |
| 1977 ...... | 70.0 | 77.7 | 73.8 | 64.6 | 73.1 | 68.8 | 69.3 | 77.1 | 73.2 |
| 1978 ...... | 70.2 | 77.8 | 74.0 | 65.0 | 73.6 | 69.2 | 69.5 | 77.2 | 73.3 |
| 1979* ...... | 70.6 | 78.3 | 74.4 | 65.5 | 74.5 | 69.9 | 69.9 | 77.8 | 73.8 |

***Provisional data.**

***Source: National Center for Health Statistics, U.S. Department of Health and Human Services.***

In contrast, the difference in life expectancy between white and nonwhite Americans has been greatly reduced in this century. Generally, the gain for nonwhite males has exceeded that for white males at all ages. Nonwhite females showed the greatest gains at the younger and older ages. For white females, life expectancy improved most between the ages of about 45 and 65.

In 1979, the difference in life expectancy between white and nonwhite persons at birth was 3.8 years for females and 5.1 years for males, and this difference decreased with age.

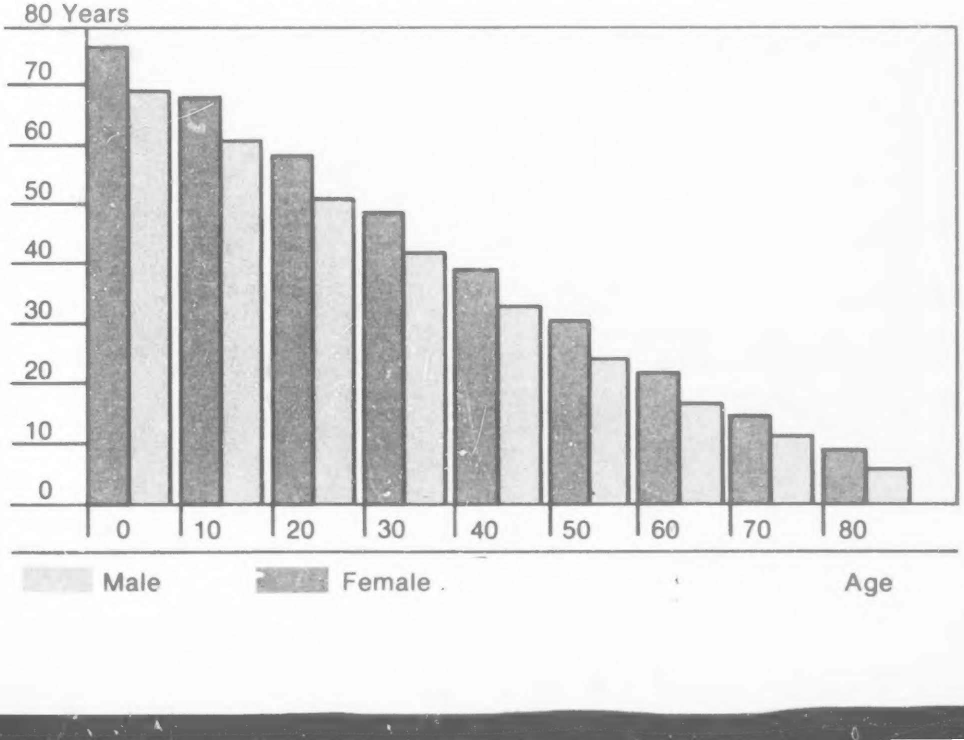
## Expectation of Life at Various Ages In the United States 1979

| | White | | | All Other | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| Age | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| 0 | 70.6 | 78.3 | 74.4 | 65.5 | 74.5 | 69.9 | 69.9 | 77.8 | 73.8 |
| 1 | 70.5 | 78.1 | 74.3 | 66.0 | 74.9 | 70.4 | 69.9 | 77.6 | 73.8 |
| 5 | 66.6 | 74.2 | 70.4 | 62.2 | 71.1 | 66.6 | 66.1 | 73.8 | 69.9 |
| 10 | 61.8 | 69.3 | 65.5 | 57.4 | 66.2 | 61.8 | 61.2 | 68.9 | 65.0 |
| 15 | 56.9 | 64.4 | 60.6 | 52.5 | 61.3 | 56.9 | 56.4 | 64.0 | 60.2 |
| 20 | 52.3 | 59.6 | 55.9 | 47.8 | 56.4 | 52.1 | 51.8 | 59.1 | 55.5 |
| 25 | 47.8 | 54.7 | 51.3 | 43.5 | 51.7 | 47.6 | 47.3 | 54.3 | 50.8 |
| 30 | 43.2 | 49.9 | 46.6 | 39.3 | 47.0 | 43.1 | 42.8 | 49.5 | 46.2 |
| 35 | 38.6 | 45.0 | 41.8 | 35.1 | 42.3 | 38.7 | 38.2 | 44.7 | 41.5 |
| 40 | 34.0 | 40.3 | 37.2 | 31.0 | 37.7 | 34.4 | 33.6 | 39.9 | 36.8 |
| 45 | 29.5 | 35.6 | 32.6 | 27.1 | 33.3 | 30.2 | 29.2 | 35.3 | 32.3 |
| 50 | 25.2 | 31.1 | 28.2 | 23.3 | 29.2 | 26.2 | 25.0 | 30.6 | 28.0 |
| 55 | 21.2 | 26.8 | 24.1 | 20.0 | 25.4 | 22.7 | 21.1 | 26.6 | 23.9 |
| 60 | 17.5 | 22.6 | 20.2 | 17.1 | 21.7 | 19.5 | 17.5 | 22.5 | 20.1 |
| 65 | 14.3 | 18.7 | 16.7 | 14.6 | 18.5 | 16.6 | 14.3 | 18.7 | 16.7 |
| 70 | 11.4 | 15.1 | 13.4 | 12.0 | 15.2 | 13.7 | 11.4 | 15.1 | 13.5 |
| 75 | 8.9 | 11.8 | 10.6 | 10.1 | 12.8 | 11.6 | 9.0 | 11.8 | 10.6 |
| 80 | 7.0 | 9.1 | 8.3 | 9.7 | 11.8 | 11.0 | 7.2 | 9.3 | 8.5 |
| 85 and Over | 5.6 | 7.1 | 6.6 | 8.9 | 10.7 | 10.0 | 5.9 | 7.3 | 6.8 |

Note: Data are provisional.

*Source: National Center for Health Statistics, U.S. Department of Health and Human Services.*

## Expectation of Life at Various Ages In the United States 1979



# CAUSES OF DEATH

In recent decades, the overall death rate of the U.S. population has decreased due to medical developments, improvements in public health and job safety, and rising standards of living. The crude death rate in 1980 rose slightly over 1979, to 8.9 per 1,000 population, up from 8.7 in 1979.

Medical improvements and environmental changes have been more effective in reducing deaths from some causes than others. There has been increasing success in identifying and controlling contagious diseases, but there has been less success in controlling deaths from accidental causes.

In 1980, the deaths of 7 out of 10 ordinary life insurance policyholders with U.S. life companies were due to two principal causes: cardiovascular-renal diseases and cancer.

Since the 1950s, deaths attributable to cardiovascular-renal diseases have decreased slightly, whereas cancer has been an increasing cause of death. These trends have followed those of the general population of the United States.

The percentage of deaths due to cardiovascular-renal diseases declined to 47.9% of all deaths in 1980. Deaths due to ischemic heart disease and chronic disease of endocardium and other myocardial insufficiencies were 29.2% in 1980. Cerebrovascular diseases also declined, to 5.6%. The decline in these latter causes of death in recent years has accounted for most of the decline in the percentage of deaths due to cardiovascular-renal disease. Heart disease has decreased significantly in recent years and has affected the overall declining death rate.

The proportion of deaths due to cancer continued to increase; 23.2% of policyholder deaths were attributed to this cause.

Motor vehicle accidents are another major cause of death. Between 1965 and 1973, motor vehicle deaths annually accounted for about 3.5% of policyholder deaths. In 1974 motor vehicle accidents accounted for 3.0% of policyholder deaths, but in 1975 the percentage began rising, to 3.3% in 1978, 1979 and 1980.

Bronchitis and other respiratory diseases accounted for 3.2% of policyholder deaths. Pneumonia and influenza combined were responsible for 2.6% of deaths, while cirrhosis of the liver represented 1.1%.

The percentage of deaths attributable to accidents, other than those involving motor vehicles, amounted to 2.6% of policyholder deaths in 1980. Two other external causes of death, suicide and homicide, represented 2.5% of deaths.

Over the years, the nation's life insurance companies have made significant contributions to basic research relating to causes of death. The recent focus of individual company contributions and research grants has been in the areas of delivery of health care services and preventive medicine. The Insurance Medical Scientist Scholarship Fund, supported by insurance company contributions, provides scholarships for students planning careers in medical research and teaching.

## Distribution of Ordinary Policyholder Deaths by Cause U.S. Life Insurance Companies

| Cause of Death | 1945 | 1950 | 1955 | 1960 | 1965 | 1970 |
|---|---|---|---|---|---|---|
| NATURAL CAUSES | | | | | | |
| Cardiovascular-renal Disease | 49.3% | 57.0% | 57.2% | 55.7% | 53.9% | 52.1% |
| Cancer | 14.8 | 17.3 | 18.6 | 18.7 | 19.2 | 20.1 |
| Pneumonia and Influenza | 3.1 | 1.9 | 2.0 | 3.2 | 3.1 | 3.3 |
| Tuberculosis (all forms) | 2.8 | 1.3 | .5 | .3 | .2 | .1 |
| Diabetes | 1.5 | 1.3 | .9 | 1.0 | 1.1 | 1.0 |
| Other Diseases* | 18.2 | 12.0 | 12.3 | 13.1 | 13.6 | 14.5 |
| Total Natural Causes | 89.7 | 90.8 | 91.5 | 92.0 | 91.1 | 91.1 |
| EXTERNAL CAUSES | | | | | | |
| Motor Vehicle Accidents | 2.3 | 3.1 | 3.1 | 2.9 | 3.6 | 3.5 |
| Other Accidents | 5.9 | 3.6 | 3.2 | 3.1 | 3.2 | 3.1 |
| Suicide | 1.9 | 2.2 | 2.0 | 1.8 | 1.8 | 1.7 |
| Homicide | .2 | .3 | .2 | .2 | .3 | .6 |
| Total External Causes | 10.3 | 9.2 | 8.5 | 8.0 | 8.9 | 8.9 |
| Total All Causes | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

| Cause of Death | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|---|
| NATURAL CAUSES | | | | | | |
| Cardiovascular-renal Disease | | | | | | |
| Diseases of the Heart and Hypertension | | | | | | |
| Ischemic Heart Disease and Other Myocardial Insufficiencies | 32.3% | 32.0% | 31.6% | 31.7% | 30.7% | 29.2% |
| Hypertensive Heart Disease and Hypertension | 1.3 | 1.3 | 1.2 | 1.2 | 1.3 | 1.5 |
| Other Diseases of the Heart | 4.6 | 5.3 | 5.7 | 5.4 | 6.0 | 7.3 |
| Total Diseases of the Heart | 38.2 | 38.6 | 38.5 | 38.3 | 38.0 | 38.0 |
| Cerebrovascular Disease | 6.7 | 6.5 | 6.4 | 6.1 | 6.0 | 5.6 |
| Arteriosclerosis and Other Diseases of Arteries, Arteriolas and Capillaries | 3.3 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 |
| Other | 1.6 | 1.5 | 1.5 | 1.5 | 1.3 | 1.4 |
| Total Cardiovascular-renal | 49.8 | 49.5 | 49.3 | 48.8 | 48.2 | 47.9 |
| Cancer | 21.4 | 21.9 | 22.3 | 22.4 | 23.1 | 23.2 |
| Pneumonia and Influenza | 2.8 | 2.9 | 2.6 | 2.7 | 2.5 | 2.6 |
| Diabetes | 1.0 | 1.0 | .9 | .9 | .9 | .9 |
| Other Diseases | | | | | | |
| Bronchitis and Other Respiratory Diseases | 2.9 | 3.0 | 3.0 | 3.1 | 3.1 | 3.2 |
| Cirrhosis | 1.3 | 1.3 | 1.2 | 1.2 | 1.2 | 1.1 |
| Other* | 12.0 | 11.8 | 12.1 | 12.4 | 12.4 | 12.7 |
| Total Other Diseases | 16.2 | 16.1 | 16.3 | 16.7 | 16.7 | 17.0 |
| Total Natural Causes | 91.2 | 91.4 | 91.4 | 91.5 | 91.4 | 91.6 |
| EXTERNAL CAUSES | | | | | | |
| Motor Vehicle Accidents | 3.0 | 3.1 | 3.1 | 3.3 | 3.3 | 3.3 |
| Other Accidents | 3.1 | 2.9 | 2.9 | 2.7 | 2.7 | 2.6 |
| Suicide | 1.8 | 1.8 | 1.8 | 1.7 | 1.7 | 1.6 |
| Homicide | .9 | .8 | .8 | .8 | .9 | .9 |
| Total External Causes | 8.8 | 8.6 | 8.6 | 8.5 | 8.6 | 8.4 |
| Total All Causes | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Note: A small number classified as "War Deaths" is included in "Other Diseases" in the data for 1960 and 1965; in other years the category is excluded. If "War Deaths" were included in the 1980 data, this category would be .01% of the resulting distribution.

*Includes those causes not specified.

*Source: American Council of Life Insurance.*

## Death Rate

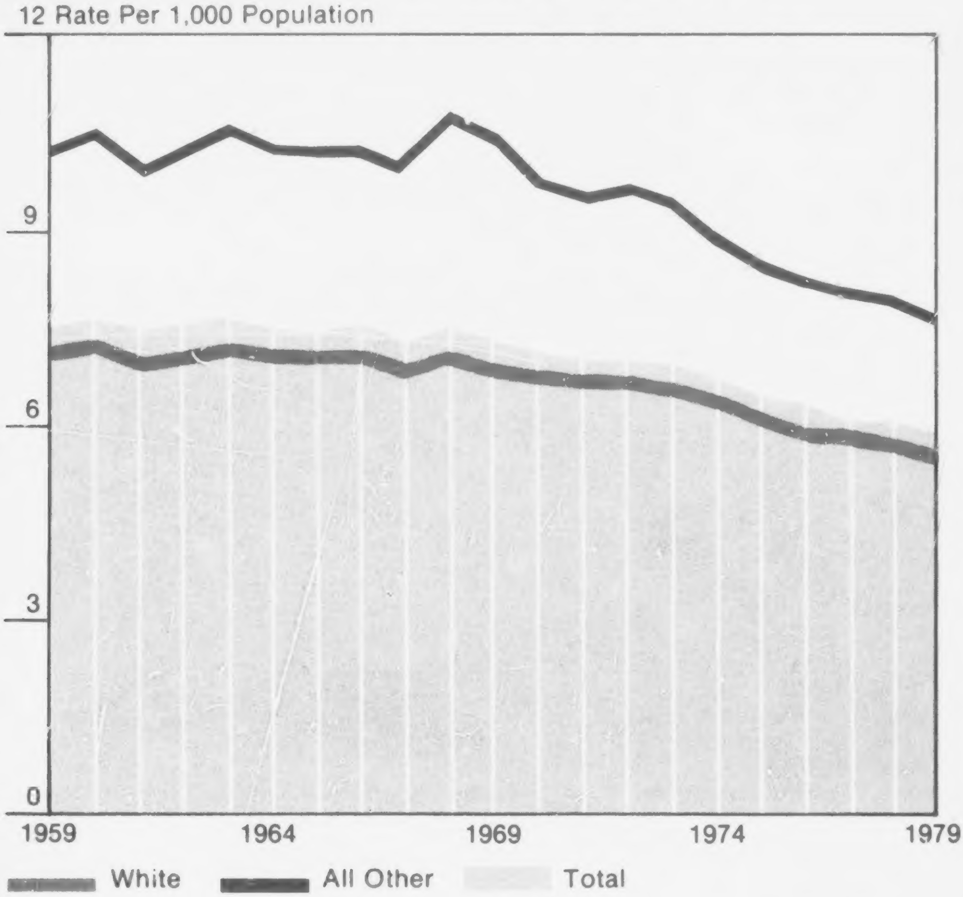
Mortality among Americans, as measured by the death rate, has decreased in recent years, after remaining at about the same level for more than a decade.

The age-adjusted death rate (technically adjusted for the changing proportion of people at each age in the U.S. population) was 5.9 per thousand in 1979 (the latest year for which data are available), the lowest rate ever recorded. In 1967, the age-adjusted rate was 7.3. From 1967 to 1972 there was a 4.1% drop to 7.0. The drop from 1972 to 1979 was even more significant — a decrease of 15.7%.

The decrease in mortality reflects continuing downtrends for two causes of death: diseases of the heart and cerebrovascular diseases. The age-adjusted mortality rates for these two causes, which accounted for 41.8% of the 1979 age-adjusted mortality rate, have decreased 21.9% from 1972 to 1979, compared to 6.9% from 1967 to 1972.

For 1979 the age-adjusted death rate for the male population was 7.8 per thousand, compared with the female rate of 4.3 per thousand. Similarly, the rate

**Age-Adjusted Death Rate in the United States**



for persons of races other than white was 7.7 per thousand, compared with a rate of 5.6 per thousand for white persons.

During the first half of this century there was a sharp decline in the death rate due to advances in medicine. This decline resulted in a reduction of deaths at young and middle ages, so that many more people now live into their seventies and eighties.

Between 1950 and 1970, however, there was relatively little change in the age-adjusted death rate for the total population. As the seventies began, the death rate began to decline more noticeably, falling from 7.3 per thousand in 1969 to 5.9 per thousand in 1979. During the same period, the death rate for nonwhites declined even more significantly, from 10.2 per thousand to 7.7 per thousand. Since 1969, the overall death rate for women has dropped more significantly than the death rate for men. The rate per thousand for men declined from 9.5 per thousand to 7.8, a decrease of 17.9%; for women the change was from 5.4 per thousand in 1969 to 4.3 per thousand in 1979, a decrease of 20.4%.

Because life insurance policyholders as a group represent a large proportion of the total population, their overall mortality rates are likely to parallel those for the nation as a whole. Even though the actual experience of a particular life company may differ from the general pattern, long-term population mortality trends are a useful indicator of the probable experience of most life companies. If the general death rate in the United States declines, the rate among life insurance policyholders is likely to drop.

The major causes of death among policyholders of ordinary life insurance in 1979, as in recent decades, were cardiovascular-renal diseases and cancer.

## Death Rate in the United States

Age-Adjusted Rate Per 1,000 Population

| Year | Male | Female | Total | Year | Male | Female | Total |
|---|---|---|---|---|---|---|---|
| 1915 | 15.4 | 13.4 | 14.4 | 1966 | 9.5 | 5.6 | 7.4 |
| 1920 | 14.7 | 13.8 | 14.2 | 1967 | 9.4 | 5.5 | 7.3 |
| 1925 | 13.8 | 12.2 | 13.0 | 1968 | 9.7 | 5.6 | 7.4 |
| 1930 | 13.5 | 11.3 | 12.5 | 1969 | 9.5 | 5.4 | 7.3 |
| 1935 | 12.9 | 10.4 | 11.6 | 1970 | 9.3 | 5.3 | 7.1 |
| 1940 | 12.1 | 9.4 | 10.8 | 1971 | 9.2 | 5.2 | 7.0 |
| 1945 | 11.1 | 8.0 | 9.5 | 1972 | 9.2 | 5.2 | 7.0 |
| 1950 | 10.0 | 6.9 | 8.4 | 1973 | 9.1 | 5.1 | 6.9 |
| 1955 | 9.3 | 6.1 | 7.7 | 1974 | 8.8 | 4.9 | 6.7 |
| 1960 | 9.5 | 5.9 | 7.6 | 1975 | 8.5 | 4.7 | 6.4 |
| 1961 | 9.2 | 5.7 | 7.4 | 1976 | 8.3 | 4.6 | 6.3 |
| 1962 | 9.4 | 5.8 | 7.5 | 1977 | 8.1 | 4.5 | 6.1 |
| 1963 | 9.6 | 5.8 | 7.6 | 1978 | 8.0 | 4.5 | 6.1 |
| 1964 | 9.4 | 5.7 | 7.4 | 1979* | 7.8 | 4.3 | 5.9 |
| 1965 | 9.5 | 5.6 | 7.4 | | | | |

*Provisional data.

Note: Rates have been computed using the 1940 age distribution of the United States population as the standard population. Figures for 1915-1930 are for Death Registration States only; 1935-1979 are for the United States.

*Source: National Center for Health Statistics, U.S. Department of Health and Human Services.*

# SELECTION OF RISKS

The great majority of Americans who apply for life insurance are able to get it. About 98% of the applications for ordinary life insurance in the United States are accepted by the life companies, according to the latest in a series of surveys.

Only 2% of ordinary life applications are not acceptable. More than three-fourths of these applicants have serious health impairments, while the remainder are declined because of other factors, including extremely hazardous jobs.

Life companies have been successful over the years in solving the problems presented by two conflicting underwriting objectives. The selection procedures must provide the benefit of life insurance protection to the greatest possible number of people. Yet, in fairness to all policyholders, life insurance companies must take into account individual differences among applicants, such as age, sex, family health background, medical history, occupation and avocation.

With the applicant's written consent, statements about health or risk activities can be checked with the Medical Information Bureau, an association of member life insurance companies founded by medical directors to alert underwriters to inaccuracies, omissions and willful attempts at fraud. The life insurance company may also ask the family physician for additional details about an applicant's health, with the applicant's permission.

Several developments have contributed to the high rate of acceptance of applicants. Extra-risk life insurance policies, with higher premiums to compensate for poor health or hazardous occupations, have made insurance available to many who could not otherwise obtain it. And advances in medicine, job safety and public health have led to more liberal underwriting of policies, enabling many persons to buy insurance at standard rates who would formerly have had to pay higher premiums because of their health or occupations.

## Ordinary Life Insurance Applications in the United States

| | 1976 | | 1980 | |
|---|---|---|---|---|
| | Number of Policies | Amount | Number of Policies | Amount |
| ISSUED AND PAID FOR | | | | |
| Standard | 84% | 79% | 84% | 80% |
| Extra-Risk | 5 | 5 | 4 | 4 |
| Total | 89 | 84 | 88 | 84 |
| NOT TAKEN BY APPLICANT | | | | |
| Standard | 7 | 10 | 8 | 12 |
| Extra-Risk | 1 | 3 | 2 | 2 |
| Total | 8 | 13 | 10 | 14 |
| DECLINED BY COMPANY | 3 | 3 | 2 | 2 |
| TOTAL | 100% | 100% | 100% | 100% |

*Source: American Council of Life Insurance.*

In 1980, the Society of Actuaries and the Association of Life Insurance Medical Directors released findings from a major new statistical investigation of the effects of weight and blood pressure on mortality.

The study, a follow-up to the landmark 1959 Build and Blood Pressure Study, provided important new information linking excess weight and untreated hypertension with increased risk of death. Among the findings was the fact that people who weigh a little less than average have slightly lower death rates than individuals of average weight for their height.

While the findings reaffirmed the extra risk of death among individuals with elevated blood pressure, new evidence showed that individuals successfully treated for high blood pressure experienced a near normal risk of death.

In 1980, extra-risk policies accounted for 5% of all the ordinary life insurance policies issued and paid for and 4% of all the ordinary policies in force at the end of the year.

A sample of the extra-risk policies bought in 1980 showed that 78% of the policies with extra-rating were rated for medical reasons, including: cardiovascular-renal disease or its symptoms, 31%; weight problems, 18%; other medical reasons, 29%. The remaining 22% were for occupational or other reasons.

Liberalization of underwriting is a continuing process in life insurance. For instance, companies often insure, at standard rates, cancer victims who have fully recovered. Skindivers, who in former years had to pay higher premiums for life insurance, if they could get it at all, now can usually obtain policies at standard rates. Changes in underwriting policy are supported by research into the effects of various health and occupational hazards on life expectancy and mortality.

## Standard and Extra-Risk Ordinary Life Insurance in the United States

| | Purchased During Year | | Insurance In Force at End of Year | |
|---|---|---|---|---|
| | Policies | Amount | Policies | Amount |
| 1976 | | | | |
| Standard | 12,506,000 | $200,464,000,000 | 131,052,000 | $1,119,613,000,000 |
| Extra-Risk | 713,000 | 13,320,000,000 | 5,674,000 | 58,059,000,000 |
| Total | 13,219,000 | $213,784,000,000 | 136,726,000 | $1,177,672,000,000 |
| 1980 | | | | |
| Standard | 13,334,000 | $353,634,000,000 | 141,788,000 | $1,685,830,000,000 |
| Extra-Risk | 665,000 | 17,480,000,000 | 5,923,000 | 74,644,000,000 |
| Total | 13,999,000 | $371,114,000,000 | 147,711,000 | $1,760,474,000,000 |

*Source: American Council of Life Insurance.*

# OTHER TYPES OF LIFE INSURANCE

Legal reserve life insurance companies accounted for 97% of life insurance in force in the United States at the end of 1980. The remainder, $104.0 billion, was issued by other private insurers and by the Federal government.

Veterans life insurance in force totaled $32.4 billion, including $396 million of U.S. Government Life Insurance (World War I), and $32.0 billion of National Service Life Insurance (World War II plus Insurance Act of 1951). The latter category includes insurance provided through a 1964 law which temporarily reopened enrollment for certain veterans whose disabilities made private life insurance unobtainable.

In addition to those government programs, legislation enacted in 1965 established Servicemen's Group Life Insurance (SGLI) for men and women on active duty in the uniformed services. Under the original program, up to $10,000 of group life insurance was available to each individual on a voluntary basis and nearly all of those who were eligible took this protection.

Legislation since then has substantially liberalized and extended the SGLI program. The maximum limit now is $20,000, and automatic full-time coverage is extended to all qualified reservists, including members of the National Guard. Retired reservists who have completed 20 years of creditable service are also eligible for coverage on a voluntary basis.

In addition, a new program was introduced in 1974, Veterans Group Life Insurance (VGLI). The VGLI program provides non-renewable, five-year term life insurance in amounts up to $20,000 to all terminating servicemen and women. When the term insurance expires, the veteran may convert to an

## Veterans Life Insurance *(000,000 Omitted)*

| | Insurance In Force | | Benefit Payments | | | | Supplementary | |
|---|---|---|---|---|---|---|---|---|
| Year | Policies | Amount | Death Payments | Dividends | Other Benefits | Total | Contract Payments | Premium Income |
| 1941 ....... | 1 | $ 5,034 | $ 39 | $ 8 | $ 36 | $ 83 | $ 15 | $ 67 |
| 1945 ....... | 13 | 98,426 | 1,227 | 8 | 27 | 1,262 | 240 | 1,029 |
| 1950 ....... | 7 | 45,286 | 204 | 625 | 50 | 879 | 325 | 465 |
| 1955 ....... | 6 | 42,728 | 114 | 196 | 56 | 366 | 319 | 471 |
| 1960 ....... | 6 | 42,030 | 162 | 262 | 67 | 491 | 307 | 550 |
| 1965 ...... | 6 | 39,369 | 219 | 222 | 81 | 522 | 298 | 579 |
| 1970 ....... | 5 | 37,474 | 301 | 274 | 142 | 717 | 216 | 579 |
| 1971 ....... | 5 | 36,925 | 312 | 285 | 138 | 735 | 209 | 586 |
| 1972 ....... | 5 | 36,591 | 326 | 297 | 123 | 746 | 307 | 703 |
| 1973 ....... | 5 | 36,214 | 341 | 302 | 130 | 773 | 195 | 647 |
| 1974 ....... | 5 | 35,736 | 361 | 334 | 126 | 821 | 189 | 646 |
| 1975 ....... | 5 | 35,257 | 359 | 376 | 132 | 867 | 183 | 655 |
| 1976 ....... | 5 | 34,721 | 374 | 403 | 151 | 928 | 184 | 679 |
| 1977 ....... | 5 | 34,207 | 382 | 444 | 169 | 995 | 178 | 673 |
| 1978 ....... | 5 | 33,657 | 393 | 482 | 174 | 1,049 | 170 | 684 |
| 1979 ....... | 5 | 33,002 | 401 | 562 | 206 | 1,169 | 175 | 680 |
| 1980 ....... | 5 | 32,378 | 429 | 615 | 221 | 1,265 | 180 | 708 |

Note: "Death Payments" represent the face amounts of death claims incurred during the year, including amounts left to be paid under supplementary contracts. "Supplementary Contract Payments" represent the total payments from accumulated insurance policy proceeds left to be paid in monthly installments, and withdrawals of dividend accumulations. Servicemen's Group Life Insurance data are excluded.

*Source: Veterans Administration, U.S. Government.*

individual life insurance policy issued by any company participating in the SGLI program.

Servicemen's Group Life Insurance is supervised by the Veterans Administration, and is chiefly underwritten by 355 life insurance companies. Totals of SGLI in force are included in the life insurance companies' figures in this book rather than under these government programs.

Legal reserve life insurance was also in force with fraternal benefit societies in the United States and Canada, and amounted to $58.3 billion in 1980, an increase of $5.3 billion over 1979. Benefit payments amounted to $682 million for the year. In 1980, there were some 200 fraternal benefit societies with 47,544 lodges in the United States and Canada.

Legal reserve life insurance in force with savings banks in the states of Connecticut, Massachusetts and New York amounted to $13.3 billion in 1980, an increase of 8% during the year. The banks issued $1.2 billion during the year, about the same as the previous year. The limit on individual coverage with savings banks varies by state. Connecticut has a limit of $15,000, Massachusetts, $53,000, and New York, $30,000.

The amount of life insurance protection now in force with assessment associations, mutual aid groups, burial societies and similar organizations is not available but is believed to be very small in proportion to all other life insurance.

## Fraternal and Savings Bank Life Insurance *(000,000 Omitted)*

| | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|---|
| FRATERNAL LIFE INSURANCE | | | | | | |
| (U.S. and Canadian Societies) | | | | | | |
| Insurance In Force .......... | $37,319 | $40,720 | $44,333 | $49,084 | $53,016 | $58,306 |
| Insurance Purchased ........ | 5,495 | 6,012 | 6,737 | 7,548 | 7,982 | 8,916 |
| Assets ...................... | 6,531 | 7,147 | 7,679 | 8,358 | 9,072 | 10,032 |
| Benefits .................... | 423 | 458 | 495 | 528 | 601 | 682 |
| Premium Income ............ | N.A. | 686 | 791 | 822 | 943 | 1,000 |
| SAVINGS BANK LIFE INSURANCE | | | | | | |
| Connecticut | | | | | | |
| Insurance In Force .......... | $ 617 | $ 688 | $ 765 | $ 1,005 | $ 1,173 | $ 1,275 |
| Insurance Purchased* ....... | 84 | 77 | 81 | 248 | 180 | 118 |
| Assets ...................... | 32 | 34 | 36 | 39 | 42 | 45 |
| Benefits .................... | 4 | 4 | 4 | 5 | 6 | 6 |
| Premium Income ............ | 5 | 5 | 5 | 7 | 8 | 9 |
| Massachusetts | | | | | | |
| Insurance In Force .......... | $ 2,156 | $ 2,273 | $ 2,383 | $ 2,552 | $2,736 | $ 3,128 |
| Insurance Purchased ........ | 142 | 169 | 138 | 172 | 226 | 496 |
| Assets ...................... | 324 | 342 | 358 | 377 | 396 | 416 |
| Benefits .................... | 29 | 29 | 32 | 33 | 34 | 37 |
| Premium Income ............ | 28 | 30 | 31 | 33 | 35 | 38 |
| New York | | | | | | |
| Insurance In Force .......... | $ 5,441 | $ 6,071 | $ 6,824 | $ 7,713 | $ 8,449 | $ 8,941 |
| Insurance Purchased ........ | 557 | 581 | 615 | 607 | 612 | 615 |
| Assets ...................... | 308 | 336 | 369 | 405 | 443 | 481 |
| Benefits .................... | 37 | 41 | 43 | 49 | 54 | 60 |
| Premium Income** .......... | 56 | 61 | 67 | 74 | 80 | 84 |

N.A. = Not Available.

*Purchases include reinsurance assumed, revivals and increases.

**Includes annuity considerations.

*Sources: The National Fraternal Congress of America; The Savings Bank Life Insurance Company of Connecticut; Savings Bank Life Insurance Council (Massachusetts figures reported as of October 31); Savings Banks Life Insurance Fund (New York).*

# LIFE INSURANCE IN VARIOUS COUNTRIES

The development of life insurance in a particular country can be traced to the need for it created by the social and economic development of that country.

Long ago, the entire society bore individual economic risks mutually as a social responsibility. Later on, as the family became an independent and economically self-sustaining unit, it became necessary to develop a means of individual financial protection. Viewed another way, life insurance is an outgrowth of the spread of commerce and industry and the development of the concept of individual ownership of property.

Life insurance may be considered a Western concept, and its use to help insure family economic security is deeply rooted in Western society, especially among certain income groups. In some countries, life insurance is little known, and in others it is owned primarily by those cultural groups descending from European colonists or those influenced by them.

## Life Insurance in Force in Various Countries

*(000,000 Omitted)*

| Country | Currency | 1960 | 1970 | 1975 | 1979 | 1980 |
|---|---|---|---|---|---|---|
| Australia | Dollar | 8,464 | 39,710 | 63,038 | 106,612 | 120,208 |
| Austria | Schilling | 9,132 | 40,104 | 103,354 | 209,338 | 236,000 |
| Belgium | Franc | 173,896 | 459,339 | 876,620 | 1,514,032 | 1,635,155 |
| Canada | Dollar | 46,867 | 118,822 | 219,912 | 381,072 | 431,194 |
| China (Taiwan) | N.T. Dollar | 969 | 19,674 | 60,446 | 230,895 | 304,976 |
| Costa Rica | Colon | 494 | 1,884 | N.A. | 11,308 | 12,704 |
| Denmark | Krone | 11,270 | 47,576 | 96,867 | 159,883 | 181,615 |
| Finland | Markka | 4,742 | 11,938 | 18,171 | 25,173 | 26,000 |
| France | Franc | 53,289 | 292,000 | 931,000 | 2,068,000 | 2,350,000 |
| Germany (F.R.) | D. Mark | 65,616 | 235,234 | 447,421 | 707,437 | 785,147 |
| Greece | Drachma | N.A. | 289 | 954 | 2,233 | 2,781 |
| Iceland | New Krona | 3 | 48 | 159 | 688 | 1,143 |
| Israel | Shekel | 30 | 577 | N.A. | 36,327 | 80,472 |
| Italy | Lira | 2,201,611 | 7,336,032 | 13,611,650 | 21,641,523 | N.A. |
| Japan | Yen | 6,696,943 | 74,938,370 | 265,410,027 | 517,422,233 | 571,913,382 |
| Korea | Won | 9,855 | 264,451 | N.A. | 6,342,456 | 11,377,847 |
| Malaysia | Ringgit | N.A. | 1,570 | 4,229 | 9,094 | 11,261 |
| Netherlands | Guilder | 38,915 | 112,288 | 209,493 | 342,658 | 377,000 |
| New Zealand | Dollar | 2,278 | 6,894 | 15,150 | 25,593 | 25,580 |
| Norway | Krone | 8,518 | 22,411 | 46,419 | 75,569 | 92,623 |
| Peru | Soles | 3,102 | 18,572 | 46,749 | 108,757 | 156,763 |
| Philippines | Peso | 2,108 | 10,437 | 21,612 | 41,912 | 46,300 |
| Spain | Peseta | 25,826 | 184,250 | 846,658 | 2,033,647 | 2,500,000 |
| Sweden | Krona | 33,550 | 196,900 | 327,000 | 500,000 | 535,000 |
| Switzerland | Franc | 17,301 | 54,338 | 102,347 | 128,971 | 138,349 |
| United Kingdom | Pound | 14,509 | 34,250 | 93,560 | 180,800 | 212,000 |
| United States | Dollar | 586,448 | 1,402,123 | 2,139,571 | 3,222,340 | 3,541,038 |
| Zambia | Kwacha | N.A. | N.A. | 100 | 184 | 212 |

Note: In general, the figures represent life insurance in force on the lives of residents of the country with both domestic and foreign private companies. In a few cases, annuities are included; in other cases, the figures represent the total business of domestic companies of the country and/or insurance that has been issued by government organizations.

N.A. = Not available.

*Source: American Council of Life Insurance.*

The life insurance data presented in this chapter represent, for the most part, the countries of Western Europe, North America, Asia and the major portion of Australasia.

One way of comparing national levels of life insurance ownership is through data on life insurance in force. However, direct comparisons are impractical because countries vary widely in economic conditions, personal income levels, living and health standards and other circumstances. So conversion of the amounts of life insurance in force in each country to a common currency would not yield a reasonable international comparison.

An index which reduces the influence of these differences is the ratio of life insurance in force to national income. It serves as a measure of the significance of life insurance protection in each country. Such ratios have, in general, shown improvement during the past decade.

By this statistical measure, Japan leads all other nations for which data are currently available. Canada ranks second, followed by the United States. The other countries in which life insurance in force equals or exceeds national income are New Zealand, Sweden, the Netherlands, Australia and the United Kingdom.

In the United Kingdom, life insurance in force reached £180.8 billion by year-end 1979. In 1979, this protection included £166.3 billion of ordinary and £14.5 billion of industrial.

## Ratio of Life Insurance in Force To National Income in Various Countries

| Country | 1974 | 1979 | Country | 1974 | 1979 |
|---|---|---|---|---|---|
| Australia | 103% | 107% | Korea | N.A. | 24% |
| Austria | 16 | 26 | Malaysia | 18% | 24 |
| Belgium | N.A. | 51 | Netherlands | 104 | 127 |
| Canada | 143 | 164 | New Zealand | 141 | 135 |
| Costa Rica | N.A. | 36 | Norway | 37 | 40 |
| Denmark | 46 | 51 | Peru | 10 | 6** |
| Finland | 21 | 18 | Philippines | 19 | 21 |
| France | 56 | 95 | Spain | 13 | 14* |
| Germany (F.R.) | 46 | 57 | Sweden | 128 | 131 |
| Iceland | 8 | 9 | Switzerland | 72 | 87 |
| Israel | 55 | 78* | United Kingdom | 103 | 107 |
| Italy | 12 | 9 | United States | 153 | 149 |
| Japan | 177 | 272 | Zambia | 6 | 9 |

Note: National income data is on a "market prices" basis. In general, the figures represent life insurance in force on the lives of residents of the country with both domestic and foreign private companies. In a few cases, annuities are included; in other cases, the figures represent the total business of domestic companies of the country and/or insurance that has been issued by government organizations.

N.A. = Not available.

*Data are for 1977.

**Data are for 1978.

*Sources: American Council of Life Insurance and International Monetary Fund.*

## Canada

Canadians bought some $63.8 billion of life insurance in 1980, an increase of $8.6 billion or, 15%, over 1979. Of the 1980 total, 59% was individually purchased insurance and 41% was group. By contrast, group insurance was 37% of purchases in 1970.

At the end of 1980, Canadians owned life insurance equaling 168% of their national income, compared with 151% in the United States.

Total life insurance in force in Canada at the end of 1980 was estimated to be $431.2 billion, a 13% increase during the year.

Over two-fifths of the life insurance in force in Canada is ordinary life. As a percentage of all life insurance, however, ordinary insurance in Canada has been declining in proportion to group life insurance in force. From year-end 1970 through 1980, group life rose from 47% to 59% of the total.

More than 13 million Canadians owned life insurance at the end of 1980. About three-quarters of their protection was with Canadian life companies. Much of the rest was with U.S. companies. Canadians also carry policies with British and other European life insurance companies.

Life insurance benefits paid during the year to Canadians amounted to $4.1 billion. Of this total, $3.0 billion, or 75%, was paid as living benefits to policyholders and annuitants.

The assets of the 83 Canadian incorporated life insurance companies are invested primarily in the private sector of the nation's economy, chiefly in corporate bonds and mortgages. Many Canadian life companies invest part of

### Life Insurance in Canada

*(Millions of Canadian Dollars)*

| | 1979 | 1980 |
|---|---|---|
| Purchases | | |
| Ordinary | $ 31,186 | $ 37,764 |
| Group | 24,025 | 26,036 |
| Total | $ 55,211 | $ 63,800 |
| Insurance In Force | | |
| Ordinary | $158,008 | $177,915 |
| Group | 223,064 | 253,279 |
| Total | $381,072 | $431,194 |
| Benefit Payments | | |
| Death Payments | $ 926 | $ 1,033 |
| Matured Endowments | 108 | 89 |
| Disability Payments | 43 | 66 |
| Annuity Payments | 1,116 | 1,492 |
| Surrender Values | 472 | 598 |
| Policy Dividends | 492 | 581 |
| Segregated Funds | 168 | 197 |
| Total | $ 3,325 | $ 4,056 |
| Premium Income | $ 5,558 | $ 6,498 |

Note: Figures cover the business in Canadian, U.S., and other foreign companies. "Ordinary" in the "Purchases" and "Insurance In Force" categories includes industrial insurance. "Annuity Payments" include any death payments, disability payments and surrender values from annuities. Annuity dividends are included in "Policy Dividends." "Segregated Funds" are primarily annuity payments. The data for 1979 are revised and the data for 1980 are preliminary.

*Source: Canadian Life and Health Insurance Association.*

their funds in the United States, where they conduct over one-fifth of their business, and many U.S. companies similarly invest and do business in Canada.

## Distribution of Assets

Canadian Life Insurance Companies *(Millions of Canadian Dollars)*

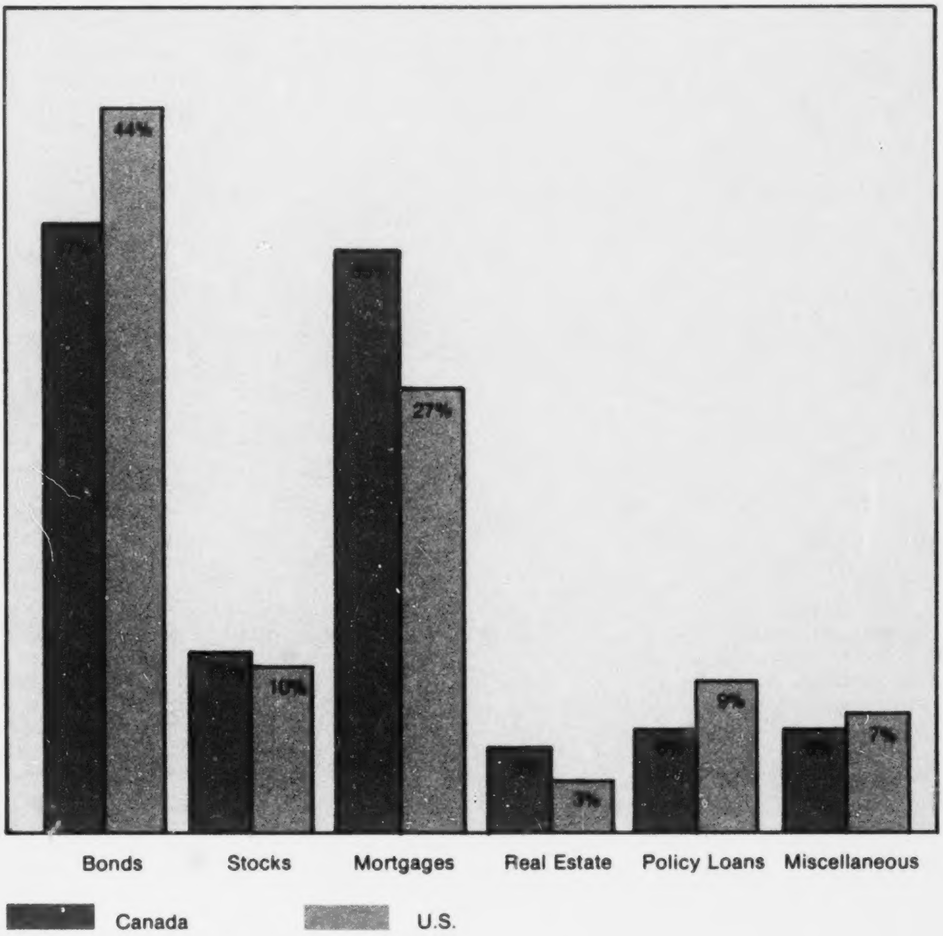
| | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|---|
| Bonds | $ 8,537 | $ 9,657 | $11,124 | $12,852 | $14,589 | $16,738 |
| Stocks | 2,806 | 3,322 | 3,414 | 4,141 | 4,757 | 5,218 |
| Mortgages | 9,058 | 9,937 | 11,215 | 12,626 | 14,477 | 16,150 |
| Real Estate | 1,457 | 1,559 | 1,675 | 1,830 | 2,036 | 2,364 |
| Policy Loans | 1,670 | 1,770 | 1,871 | 2,027 | 2,359 | 2,812 |
| Miscellaneous Assets | 982 | 1,111 | 1,320 | 1,727 | 1,961 | 2,547 |
| Total | $24,510 | $27,356 | $30,619 | $35,203 | $40,179 | $45,829 |

Note: Figures cover both Federally registered companies and provincial licensees. Assets do not include deferred premiums. These amounted to $332 million in 1980. The data for 1979 are revised and the data for 1980 are preliminary.

*Source: Canadian Life and Health Insurance Association.*

## Distribution of Assets, 1980

Canadian and U.S. Life Insurance Companies



# STATE INSURANCE OFFICIALS

| | | |
|---|---|---|
| Alabama, Montgomery | Tharpe Forrester | Commissioner of Insurance |
| Alaska, Juneau | Kenneth C. Moore | Director of Insurance |
| Arizona, Phoenix | J. Michael Low | Director of Insurance |
| Arkansas, Little Rock | William H. L. Woodyard, III | Insurance Commissioner |
| California, Los Angeles | Robert C. Quinn | Insurance Commissioner |
| Colorado, Denver | J. Richard Barnes | Commissioner of Insurance |
| Connecticut, Hartford | Joseph C. Mike | Insurance Commissioner |
| Delaware, Dover | David H. Elliot | Insurance Commissioner |
| D.C., Washington | James R. Montgomery, III, Acting | Superintendent of Insurance |
| Florida, Tallahassee | Bill Gunter | Insurance Commissioner |
| Georgia, Atlanta | Johnnie L. Caldwell | Insurance Commissioner |
| Hawaii, Honolulu | Mary G. F. Bitterman, Ph.D. | Insurance Commissioner |
| Idaho, Boise | Trent M. Woods | Director of Insurance |
| Illinois, Chicago | Philip R. O'Connor | Director of Insurance |
| Indiana, Indianapolis | Don H. Miller | Commissioner of Insurance |
| Iowa, Des Moines | Bruce Foudree | Commissioner of Insurance |
| Kansas, Topeka | Fletcher Bell | Commissioner of Insurance |
| Kentucky, Frankfort | Daniel D. Briscoe | Commissioner of Insurance |
| Louisiana, Baton Rouge | Sherman A. Bernard | Commissioner of Insurance |
| Maine, Augusta | Theodore T. Briggs | Superintendent of Insurance |
| Maryland, Baltimore | Edward J. Birrane, Jr. | Insurance Commissioner |
| Massachusetts, Boston | Michael J. Sabbagh | Commissioner of Insurance |
| Michigan, Lansing | Nancy A. Baerwaldt | Commissioner of Insurance |
| Minnesota, St. Paul | Michael D. Markman | Commissioner of Insurance |
| Mississippi, Jackson | George Dale | Commissioner of Insurance |
| Missouri, Jefferson City | C. Donald Ainsworth | Director of Insurance |
| Montana, Helena | E.V. "Sonny" Omholt | Commissioner of Insurance |
| Nebraska, Lincoln | Walter D. Weaver | Director of Insurance |
| Nevada, Carson City | Patsy Redmond | Commissioner of Insurance |
| New Hampshire, Concord | Frank E. Whaland | Insurance Commissioner |
| New Jersey, Trenton | James J. Sheeran | Commissioner of Insurance |
| New Mexico, Santa Fe | Manuel A. Garcia, Jr. | Superintendent of Insurance |
| New York, New York | Albert B. Lewis | Superintendent of Insurance |
| North Carolina, Raleigh | John R. Ingram | Commissioner of Insurance |
| North Dakota, Bismarck | J.O. "Bud" Wigen | Commissioner of Insurance |
| Ohio, Columbus | Robert L. Ratchford, Jr. | Superintendent of Insurance |
| Oklahoma, Oklahoma City | Gerald Grimes | Insurance Commissioner |
| Oregon, Salem | Wilfred W. Fritz | Commissioner of Insurance |
| Pennsylvania, Harrisburg | Michael L. Browne | Commissioner of Insurance |
| Rhode Island, Providence | Thomas J. Caldarone, Jr. | Insurance Commissioner |
| South Carolina, Columbia | John W. Lindsay | Insurance Commissioner |
| South Dakota, Pierre | Henry J. Lussem, Jr. | Director of Insurance |
| Tennessee, Nashville | John C. Neff | Commissioner of Insurance |
| Texas, Austin | E.J. Voorhis | Commissioner of Insurance |
| Utah, Salt Lake City | Roger C. Day | Commissioner of Insurance |
| Vermont, Montpelier | George A. Chaffee | Commissioner of Insurance |
| Virginia, Richmond | James W. Newman, Jr. | Commissioner of Insurance |
| Washington, Olympia | Dick Marquardt | Insurance Commissioner |
| West Virginia, Charleston | Richard G. Shaw | Insurance Commissioner |
| Wisconsin, Madison | Susan M. Mitchell | Commissioner of Insurance |
| Wyoming, Cheyenne | John T. Langdon | Insurance Commissioner |

# MORTALITY TABLES

| | American Experience (1843-1858) | | Commissioners 1958 Standard Ordinary (1950-1954) | | Individual Annuity Table for 1971—Male (1960-1967) | | Individual Annuity Table for 1971—Female (1960-1967) | | United States Total Population (1969-1971) | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Age** | Deaths Per 1,000 | Expectation of Life (Years) | Deaths Per 1,000 | Expectation of Life (Years) | Deaths Per 1,000 | Expectation of Life (Years) | Deaths Per 1,000 | Expectation of Life (Years) | Deaths Per 1,000 | Expectation of Life (Years) |
| **0** | 154.70 | 41.45 | 7.08 | 68.30 | — | — | — | — | 20.02 | 70.75 |
| **1** | 63.49 | 47.94 | 1.76 | 67.78 | — | — | — | — | 1.25 | 71.19 |
| **2** | 35.50 | 50.16 | 1.52 | 66.90 | — | — | — | — | .86 | 70.28 |
| **3** | 23.91 | 50.98 | 1.46 | 66.00 | — | — | — | — | .69 | 69.34 |
| **4** | 17.70 | 51.22 | 1.40 | 65.10 | — | — | — | — | .57 | 68.39 |
| **5** | 13.60 | 51.13 | 1.35 | 64.19 | .46 | 71.69 | .23 | 76.99 | .51 | 67.43 |
| **6** | 11.37 | 50.83 | 1.30 | 63.27 | .42 | 70.73 | .19 | 76.01 | .46 | 66.46 |
| **7** | 9.75 | 50.41 | 1.26 | 62.35 | .40 | 69.75 | .16 | 75.02 | .43 | 65.49 |
| **8** | 8.63 | 49.90 | 1.23 | 61.43 | .39 | 68.78 | .14 | 74.03 | .39 | 64.52 |
| **9** | 7.90 | 49.33 | 1.21 | 60.51 | .39 | 67.81 | .13 | 73.04 | .34 | 63.54 |
| **10** | 7.49 | 48.72 | 1.21 | 59.58 | .39 | 66.84 | .13 | 72.05 | .31 | 62.57 |
| **11** | 7.52 | 48.08 | 1.23 | 58.65 | .40 | 65.86 | .14 | 71.06 | .30 | 61.58 |
| **12** | 7.54 | 47.45 | 1.26 | 57.72 | .41 | 64.89 | .16 | 70.07 | .35 | 60.60 |
| **13** | 7.57 | 46.80 | 1.32 | 56.80 | .41 | 63.91 | .17 | 69.08 | .46 | 59.62 |
| **14** | 7.60 | 46.16 | 1.39 | 55.87 | .42 | 62.94 | .18 | 68.10 | .63 | 58.65 |
| **15** | 7.63 | 45.50 | 1.46 | 54.95 | .43 | 61.97 | .19 | 67.11 | .82 | 57.69 |
| **16** | 7.66 | 44.85 | 1.54 | 54.03 | .44 | 60.99 | .21 | 66.12 | 1.01 | 56.73 |
| **17** | 7.69 | 44.19 | 1.62 | 53.11 | .46 | 60.02 | .22 | 65.13 | 1.17 | 55.79 |
| **18** | 7.73 | 43.53 | 1.69 | 52.19 | .47 | 59.05 | .23 | 64.15 | 1.28 | 54.86 |
| **19** | 7.77 | 42.87 | 1.74 | 51.28 | .49 | 58.07 | .25 | 63.16 | 1.34 | 53.93 |
| **20** | 7.80 | 42.20 | 1.79 | 50.37 | .50 | 57.10 | .26 | 62.18 | 1.40 | 53.00 |
| **21** | 7.86 | 41.53 | 1.83 | 49.46 | .52 | 56.13 | .28 | 61.19 | 1.47 | 52.07 |
| **22** | 7.91 | 40.85 | 1.86 | 48.55 | .54 | 55.16 | .29 | 60.21 | 1.52 | 51.15 |
| **23** | 7.96 | 40.17 | 1.89 | 47.64 | .57 | 54.19 | .31 | 59.23 | 1.53 | 50.22 |
| **24** | 8.01 | 39.49 | 1.91 | 46.73 | .59 | 53.22 | .33 | 58.25 | 1.51 | 49.30 |
| **25** | 8.06 | 38.81 | 1.93 | 45.82 | .62 | 52.25 | .35 | 57.27 | 1.47 | 48.37 |
| **26** | 8.13 | 38.12 | 1.96 | 44.90 | .65 | 51.28 | .37 | 56.29 | 1.43 | 47.44 |
| **27** | 8.20 | 37.43 | 1.99 | 43.99 | .68 | 50.32 | .39 | 55.31 | 1.42 | 46.51 |
| **28** | 8.26 | 36.73 | 2.03 | 43.08 | .72 | 49.35 | .41 | 54.33 | 1.44 | 45.58 |
| **29** | 8.34 | 36.03 | 2.08 | 42.16 | .76 | 48.39 | .44 | 53.35 | 1.49 | 44.64 |
| **30** | 8.43 | 35.33 | 2.13 | 41.25 | .81 | 47.42 | .47 | 52.37 | 1.55 | 43.71 |
| **31** | 8.51 | 34.63 | 2.19 | 40.34 | .86 | 46.46 | .50 | 51.40 | 1.63 | 42.77 |
| **32** | 8.61 | 33.92 | 2.25 | 39.43 | .92 | 45.50 | .53 | 50.42 | 1.72 | 41.84 |
| **33** | 8.72 | 33.21 | 2.32 | 38.51 | .98 | 44.54 | .57 | 49.45 | 1.83 | 40.92 |
| **34** | 8.83 | 32.50 | 2.40 | 37.60 | 1.05 | 43.58 | .61 | 48.48 | 1.95 | 39.99 |
| **35** | 8.95 | 31.78 | 2.51 | 36.69 | 1.12 | 42.63 | .65 | 47.51 | 2.09 | 39.07 |
| **36** | 9.09 | 31.07 | 2.64 | 35.78 | 1.20 | 41.68 | .70 | 46.54 | 2.25 | 38.15 |
| **37** | 9.23 | 30.35 | 2.80 | 34.88 | 1.30 | 40.73 | .75 | 45.57 | 2.44 | 37.23 |
| **38** | 9.41 | 29.62 | 3.01 | 33.97 | 1.40 | 39.78 | .81 | 44.60 | 2.66 | 36.32 |
| **39** | 9.59 | 28.90 | 3.25 | 33.07 | 1.51 | 38.83 | .87 | 43.64 | 2.90 | 35.42 |
| **40** | 9.79 | 28.18 | 3.53 | 32.18 | 1.63 | 37.89 | .94 | 42.68 | 3.14 | 34.52 |
| **41** | 10.01 | 27.45 | 3.84 | 31.29 | 1.79 | 36.95 | 1.01 | 41.72 | 3.41 | 33.63 |
| **42** | 10.25 | 26.72 | 4.17 | 30.41 | 2.00 | 36.02 | 1.09 | 40.76 | 3.70 | 32.74 |
| **43** | 10.52 | 26.00 | 4.53 | 29.54 | 2.26 | 35.09 | 1.19 | 39.80 | 4.04 | 31.86 |
| **44** | 10.83 | 25.27 | 4.92 | 28.67 | 2.57 | 34.17 | 1.29 | 38.85 | 4.43 | 30.99 |
| **45** | 11.16 | 24.54 | 5.35 | 27.81 | 2.92 | 33.25 | 1.40 | 37.90 | 4.84 | 30.12 |
| **46** | 11.56 | 23.81 | 5.83 | 26.95 | 3.32 | 32.35 | 1.52 | 36.95 | 5.28 | 29.27 |
| **47** | 12.00 | 23.08 | 6.36 | 26.11 | 3.75 | 31.46 | 1.65 | 36.01 | 5.74 | 28.42 |
| **48** | 12.51 | 22.36 | 6.95 | 25.27 | 4.23 | 30.57 | 1.80 | 35.06 | 6.24 | 27.58 |
| **49** | 13.11 | 21.63 | 7.60 | 24.45 | 4.74 | 29.70 | 1.97 | 34.13 | 6.78 | 26.75 |
| **50** | 13.78 | 20.91 | 8.32 | 23.63 | 5.29 | 28.84 | 2.15 | 33.19 | 7.38 | 25.93 |
| **51** | 14.54 | 20.20 | 9.11 | 22.82 | 5.86 | 27.99 | 2.37 | 32.26 | 8.04 | 25.12 |
| **52** | 15.39 | 19.49 | 9.96 | 22.03 | 6.46 | 27.15 | 2.64 | 31.34 | 8.76 | 24.32 |
| **53** | 16.33 | 18.79 | 10.89 | 21.25 | 7.09 | 26.33 | 2.97 | 30.42 | 9.57 | 23.53 |
| **54** | 17.40 | 18.09 | 11.90 | 20.47 | 7.74 | 25.51 | 3.35 | 29.51 | 10.43 | 22.75 |
| **55** | 18.57 | 17.40 | 13.00 | 19.71 | 8.42 | 24.71 | 3.79 | 28.61 | 11.36 | 21.99 |
| **56** | 19.89 | 16.72 | 14.21 | 18.97 | 9.12 | 23.91 | 4.28 | 27.71 | 12.36 | 21.23 |

| | American Experience (1843-1858) | | Commissioners 1958 Standard Ordinary (1950-1954) | | Individual Annuity Table for 1971—Male (1960-1967) | | Individual Annuity Table for 1971—Female (1960-1967) | | United States Total Population (1969-1971) | |
|---|---|---|---|---|---|---|---|---|---|---|
| Age | Deaths Per 1,000 | Expectation of Life (Years) | Deaths Per 1,000 | Expectation of Life (Years) | Deaths Per 1,000 | Expectation of Life (Years) | Deaths Per 1,000 | Expectation of Life (Years) | Deaths Per 1,000 | Expectation of Life (Years) |
| **57** | 21.34 | 16.05 | 15.54 | 18.23 | 9.85 | 23.13 | 4.83 | 26.83 | 13.41 | 20.49 |
| **58** | 22.94 | 15.39 | 17.00 | 17.51 | 10.61 | 22.35 | 5.41 | 25.96 | 14.52 | 19.76 |
| **59** | 24.72 | 14.74 | 18.59 | 16.81 | 11.41 | 21.59 | 6.02 | 25.10 | 15.70 | 19.05 |
| **60** | 26.69 | 14.10 | 20.34 | 16.12 | 12.25 | 20.83 | 6.63 | 24.25 | 16.95 | 18.34 |
| **61** | 28.88 | 13.47 | 22.24 | 15.44 | 13.13 | 20.08 | 7.22 | 23.41 | 18.29 | 17.65 |
| **62** | 31.29 | 12.86 | 24.31 | 14.78 | 14.07 | 19.34 | 7.77 | 22.57 | 19.74 | 16.97 |
| **63** | 33.94 | 12.26 | 26.57 | 14.14 | 15.08 | 18.61 | 8.29 | 21.74 | 21.33 | 16.30 |
| **64** | 36.87 | 11.67 | 29.04 | 13.51 | 16.19 | 17.89 | 8.78 | 20.92 | 23.06 | 15.65 |
| **65** | 40.13 | 11.10 | 31.75 | 12.90 | 17.41 | 17.17 | 9.29 | 20.10 | 24.95 | 15.00 |
| **66** | 43.71 | 10.54 | 34.74 | 12.31 | 18.77 | 16.47 | 9.89 | 19.29 | 26.99 | 14.38 |
| **67** | 47.65 | 10.00 | 38.04 | 11.73 | 20.29 | 15.77 | 10.62 | 18.47 | 29.18 | 13.76 |
| **68** | 52.00 | 9.47 | 41.68 | 11.17 | 21.99 | 15.09 | 11.54 | 17.67 | 31.52 | 13.16 |
| **69** | 56.76 | 8.97 | 45.61 | 10.64 | 23.89 | 14.42 | 12.66 | 16.87 | 34.00 | 12.57 |
| **70** | 61.99 | 8.48 | 49.79 | 10.12 | 26.00 | 13.76 | 14.03 | 16.08 | 36.61 | 12.00 |
| **71** | 67.67 | 8.00 | 54.15 | 9.63 | 28.34 | 13.11 | 15.65 | 15.30 | 39.43 | 11.43 |
| **72** | 73.73 | 7.55 | 58.65 | 9.15 | 30.93 | 12.48 | 17.55 | 14.53 | 42.66 | 10.88 |
| **73** | 80.18 | 7.11 | 63.26 | 8.69 | 33.80 | 11.86 | 19.74 | 13.79 | 46.44 | 10.34 |
| **74** | 87.03 | 6.68 | 68.12 | 8.24 | 36.98 | 11.26 | 22.26 | 13.05 | 50.75 | 9.82 |
| **75** | 94.37 | 6.27 | 73.37 | 7.81 | 40.49 | 10.67 | 25.12 | 12.34 | 55.52 | 9.32 |
| **76** | 102.31 | 5.88 | 79.18 | 7.39 | 44.39 | 10.10 | 28.37 | 11.64 | 60.60 | 8.84 |
| **77** | 111.06 | 5.49 | 85.70 | 6.98 | 48.72 | 9.55 | 32.05 | 10.97 | 65.96 | 8.38 |
| **78** | 120.83 | 5.11 | 93.06 | 6.59 | 53.50 | 9.01 | 36.23 | 10.32 | 71.53 | 7.93 |
| **79** | 131.73 | 4.74 | 101.19 | 6.21 | 58.79 | 8.50 | 40.98 | 9.68 | 77.41 | 7.51 |
| **80** | 144.47 | 4.39 | 109.98 | 5.85 | 64.60 | 7.99 | 46.39 | 9.08 | 83.94 | 7.10 |
| **81** | 158.60 | 4.05 | 119.35 | 5.51 | 70.90 | 7.51 | 52.51 | 8.49 | 91.22 | 6.70 |
| **82** | 174.30 | 3.71 | 129.17 | 5.19 | 77.67 | 7.05 | 59.41 | 7.94 | 98.92 | 6.32 |
| **83** | 191.56 | 3.39 | 139.38 | 4.89 | 84.94 | 6.60 | 67.16 | 7.41 | 106.95 | 5.96 |
| **84** | 211.36 | 3.08 | 150.01 | 4.60 | 92.87 | 6.16 | 75.90 | 6.90 | 115.48 | 5.62 |
| **85** | 235.55 | 2.77 | 161.14 | 4.32 | 101.69 | 5.74 | 85.77 | 6.43 | 125.61 | 5.28 |
| **86** | 265.68 | 2.47 | 172.82 | 4.06 | 111.65 | 5.34 | 96.90 | 5.99 | 137.48 | 4.97 |
| **87** | 303.02 | 2.18 | 185.13 | 3.80 | 123.05 | 4.95 | 109.34 | 5.57 | 149.79 | 4.68 |
| **88** | 346.69 | 1.91 | 198.25 | 3.55 | 136.12 | 4.57 | 122.98 | 5.20 | 161.58 | 4.42 |
| **89** | 395.86 | 1.66 | 212.46 | 3.31 | 151.07 | 4.21 | 137.51 | 4.86 | 172.92 | 4.18 |
| **90** | 454.55 | 1.42 | 228.14 | 3.06 | 168.04 | 3.87 | 152.47 | 4.55 | 185.02 | 3.94 |
| **91** | 532.47 | 1.19 | 245.77 | 2.82 | 187.15 | 3.55 | 167.37 | 4.28 | 198.88 | 3.73 |
| **92** | 634.26 | .98 | 265.93 | 2.58 | 208.46 | 3.26 | 181.78 | 4.04 | 213.63 | 3.53 |
| **93** | 734.18 | .80 | 289.30 | 2.33 | 231.89 | 2.98 | 195.39 | 3.83 | 228.70 | 3.35 |
| **94** | 857.14 | .64 | 316.66 | 2.07 | 257.15 | 2.73 | 208.07 | 3.63 | 243.36 | 3.19 |
| **95** | 1,000.00 | .50 | 351.24 | 1.80 | 283.84 | 2.50 | 219.90 | 3.46 | 257.45 | 3.06 |
| **96** | | | 400.56 | 1.51 | 311.57 | 2.30 | 231.10 | 3.29 | 269.59 | 2.95 |
| **97** | | | 488.42 | 1.18 | 340.21 | 2.11 | 242.21 | 3.13 | 280.24 | 2.85 |
| **98** | | | 668.15 | .83 | 369.77 | 1.94 | 253.82 | 2.97 | 289.77 | 2.76 |
| **99** | | | 1,000.00 | .50 | 400.19 | 1.79 | 266.45 | 2.81 | 298.69 | 2.69 |
| **100** | | | | | 431.41 | 1.65 | 280.54 | 2.65 | 306.96 | 2.62 |
| **101** | | | | | 463.31 | 1.53 | 296.45 | 2.49 | 314.61 | 2.56 |
| **102** | | | | | 495.76 | 1.41 | 314.54 | 2.33 | 321.67 | 2.51 |
| **103** | | | | | 528.60 | 1.31 | 335.12 | 2.17 | 328.17 | 2.46 |
| **104** | | | | | 561.69 | 1.21 | 358.54 | 2.01 | 334.14 | 2.41 |
| **105** | | | | | 594.88 | 1.13 | 385.12 | 1.85 | 339.60 | 2.37 |
| **106** | | | | | 628.02 | 1.05 | 415.24 | 1.70 | 344.60 | 2.34 |
| **107** | | | | | 660.95 | .98 | 449.27 | 1.55 | 349.17 | 2.30 |
| **108** | | | | | 693.50 | .92 | 487.65 | 1.41 | 353.33 | 2.27 |
| **109** | | | | | 725.52 | .86 | 530.79 | 1.27 | 357.12 | 2.24 |

Note: Mortality rates contained in the 1958 Commissioners Standard Ordinary Table were obtained from experience of 1950-1954, but contain an added element designed to generate life insurance reserves of a conservative nature in keeping with the long-term guarantees inherent in life insurance contracts. Premiums for life insurance policies, on the other hand, are based on assumptions that include expected mortality experience.

Mortality rates for the 1971 Annuity Tables are, again, conservative as related to the actual experience upon which they are based.

# HISTORIC DATES

**1759** The first life insurance company in the United States, "The Corporation for Relief of Poor and Distressed Presbyterian Ministers and of the Poor and Distressed Widows and Children of Presbyterian Ministers," was established in Philadelphia by the Synod of the Presbyterian Church. This company, now Presbyterian Ministers' Fund, is the oldest life insurance company in continued existence in the world.

**1789** Professor Edward Wigglesworth of Harvard prepared a modified table of mortality based on Massachusetts experience, the first computation of premiums and reserves on a scientific basis in the U.S.

**1794** The Insurance Company of North America was chartered as the first general insurance company to sell life insurance in America. In five years only six policies were issued and the company discontinued its life insurance business in 1804.

**1812** Pennsylvania Company for Insurance on Lives and Granting Annuities was incorporated, the first corporation organized in America for the sole purpose of issuing life insurance policies and annuities. The first policy was issued in 1813. It discontinued issuing life policies in 1872.

**1830** New York Life Insurance and Trust Company was started; notable as the first American life company to employ agents. This company later discontinued its life insurance business and was subsequently merged with the Bank of New York.

**1835** A charter was granted New England Mutual Life Insurance Company of Boston, the first mutual company to be chartered in America. It did not actually begin business until December 1843.

**1836** The Girard Life Insurance, Annuity and Trust Company of Philadelphia was established upon a new principle of granting policyholders participation in profits, although it was a stock company. The first policy dividends were allotted in 1844 as additions of insurance to policies in force three or more years. This company later became a trust company only.

**1840** The legislature of New York State enacted a law that provided that the proceeds of a policy made out to a widow as beneficiary would be paid to her and were exempt from claims of creditors. This strengthened immeasurably the protective power of a life insurance policy.

**1842** The Mutual Life Insurance Company of New York was chartered. The first policy was issued February 1, 1843, marking the beginning of mutual life insurance as it is known today.

**1848** First policy loans were granted about this time.

**1849** New York State passed the first general insurance law.

**1851** New Hampshire established the first regulatory body to examine the affairs of insurance companies.

**1853** Policy valuation tables, which had been worked on by Elizur Wright for nine years, were published.

**1859** New York State established the first insurance department.

**1861** Massachusetts was the first state to require nonforfeiture values as part of life policies.

**1861** First war risk insurance written by life companies during Civil War.

**1864** The Manhattan Life Insurance Company was the first American company to write an incontestable clause into a policy.

**1868** American Experience Table of Mortality published as a part of New York law. Covering experience from 1843 to 1858, it remained the table most widely used by American companies until the 1940s.

**1869** U.S. Supreme Court held insurance not to be a transaction in commerce, and affirmed the validity of state regulation of insurance.

**1869** Earliest organization of life insurance agents was recorded in Chicago.

**1871** First convention of State Insurance Commissioners was held in New York City.

**1873** First weekly premium policy was issued in the United States.

**1875** Industrial insurance agency system was introduced in the United States.

**1880** Cash surrender values were first established by law in Massachusetts.

**1905** Armstrong investigation of life insurance was made by New York State Legislature, which resulted in many changes in insurance laws.

**1909** Standard provisions for life insurance policies were adopted in New York State.

**1911** First group life insurance for employees was introduced.

**1917** Life insurance for servicemen of World War I was offered by the government under War Risk Insurance Act; subsequently known as U.S. Government Life Insurance.

**1918** American Men Ultimate Mortality Table was published, which covered experience from 1900 to 1915.

**1928** First examinations were held for Chartered Life Underwriters, which resulted in awards of CLU designations to qualified life insurance personnel.

**1935** Social Security Act was enacted. It was subsequently amended at various times to include benefits for survivors and dependents and for disabled workers and their dependents, to extend coverage as to employments covered, to lower minimum retirement age, to raise benefit levels, to revise contribution schedules, to increase earnings base, and, in 1965, to establish Medicare, a broad program of health insurance for people aged 65 or older.

**1938** The 1937 Standard Annuity Mortality Table was published. It was based primarily on experience from 1932 to 1936.

**1939** Temporary National Economic Committee began an investigation of the life insurance business.

**1940** National Service Life Insurance Act, providing insurance for men and women in service in World War II, was adopted by Congress.

**1941** Commissioners 1941 Standard Ordinary Table of Mortality, based on experience from 1930 to 1940, was published.

**1944** U.S. Supreme Court held insurance to be commerce, and that when conducted across state lines, it is interstate commerce and therefore subject to Federal laws.

**1945** McCarran-Ferguson Act declared that the regulation of insurance by the states is in the public interest and granted an exemption from the antitrust laws to the extent the business is regulated by state law.

**1948** Legislation permitting "Standard Nonforfeiture and Valuation" methods of computation was effected in nearly all states.

**1952** College Retirement Equities Fund (CREF) was established as the first variable annuity fund. In 1954, the Participating Annuity Life Insurance Company offered the first variable annuity contracts to the general public.

**1954** Federal Employees' Group Life Insurance Act introduced, providing group life insurance and accidental death and dismemberment insurance to civilian officers and employees of the United States government through private insurance companies.

**1958** Commissioners 1958 Standard Ordinary Table of Mortality, based on experience from 1950 to 1954, was published.

**1959** Arkansas was the first state to pass laws permitting life insurance companies to issue variable annuities and authorizing the establishment of separate accounts.

**1965** Servicemen's Group Life Insurance Act was introduced providing members on active duty in the uniformed services with group life insurance underwritten by private insurers through a contract with the Veterans Administration.

**1974** Employee Retirement Income Security Act of 1974 was signed into law. The primary purposes were to protect the benefits of participants in private plans, to assure reasonable vesting provisions, and to broaden the opportunity to set up plans for the self-employed and workers who have no private retirement plans.

**1976** First individual variable life insurance policy was issued in the United States.

**1977** Social Security Act was amended to increase wage base and tax rates in steps beginning in 1978 and to revise the benefit structure.

# LIFE INSURANCE ORGANIZATIONS

## COMPANY ASSOCIATIONS

**AMERICAN COUNCIL OF LIFE INSURANCE:** 1850 K Street, N.W., Washington, D.C. 20006; Telephone: 202-862-4000; Chairman of the Board, Walter B. Gerken; President, Robert F. Froehlke. Represents the life insurance business in legislative and regulatory areas at the Federal, state and local levels of government. Provides the public with information about the purpose and uses of life insurance, maintains research facilities to record the performance of the business and measures attitudes of the public on issues relevant to the business.

**CONSUMER CREDIT INSURANCE ASSOCIATION:** 307 North Michigan Avenue, Chicago, Illinois 60601; Telephone: 312-726-9895; Chairman of the Board, John W. Kennedy; President, Hugh Alexander; Executive Vice President, William F. Burfeind. Serves as the official trade organization for insurers that underwrite consumer credit insurance in the areas of life, accident and health, and property insurance.

**LIFE INSURANCE MARKETING AND RESEARCH ASSOCIATION:** P.O. Box 208, Hartford, Connecticut 06141; Telephone: 203-677-0033. Chairman of the Board, Grant D. Sylvester; President, George G. Joseph, CLU. Works to improve the efficiency of life insurance distribution through scientific management methods, conducts research, provides management educational services and prepares a wide range of publications.

**LIFE INSURERS CONFERENCE:** 1004 North Thompson Street, Richmond, Virginia 23230; Telephone: 804-359-5006; Chairman, Samuel C. Corey, Sr.; President, G. Mason Connell, Jr. Comprised of life insurance companies engaged to a large extent in the sale of home service life insurance.

**LIFE OFFICE MANAGEMENT ASSOCIATION:** 100 Colony Square, Atlanta, Georgia 30361; Telephone: 404-892-7272; Chairman of the Board, James B. McIntosh; President, Lynn G. Merritt. Engages in cooperative educational and research activities directed to the improvement of management operations in home and field offices. Conducts the widely-used FLMI (Fellow, Life Management Institute) Insurance Education Program.

**NATIONAL ASSOCIATION OF LIFE COMPANIES:** 3340 Peachtree Road, N.E., Suite 1060, Atlanta, Georgia 30026; Telephone: 404-262-3737; Chairman of the Board, Harry Lee Waterfield; Executive Vice President, S. Roy Woodall, Jr. Consists primarily of small and medium-sized stock life and health insurance companies.

**NATIONAL INSURANCE ASSOCIATION:** 2400 South Michigan Avenue, Chicago, Illinois 60616; Telephone: 312-842-5125; President, George E. Hill; Executive Director, Charles A. Davis. Represents companies which principally serve the life insurance needs of black families.

## PROFESSIONAL ASSOCIATIONS

**AMERICAN ACADEMY OF ACTUARIES:** 1835 K Street, N.W., Washington, D.C. 20006; and 208 South LaSalle Street, Chicago, Illinois 60604; Telephone: 202-223-8196, Washington, D.C.; 312-782-4204, Chicago. President, Walter L. Grace; Secretary, Charles B. H. Watson; Executive Director, Stephen G. Kellison. An organization of qualified actuaries that deals with issues surrounding the legal recognition and the public role of actuaries throughout the United States. Membership consists largely of members of the Casualty Actuarial Society, Conference of Actuaries in Public Practice, Society of Actuaries and enrolled actuaries under ERISA. Membership criteria include satisfaction of experience and education standards.

**AMERICAN RISK AND INSURANCE ASSOCIATION:** Room 297, Brooks Hall, The University of Georgia, Athens, Georgia 30602; Telephone: 404-542-4290; President, Jerry S. Rosenbloom, University of Pennsylvania; Executive Director, Dr. Richard E. Johnson. A society of insurance educators and others interested in risk and insurance education and research.

**AMERICAN SOCIETY OF CHARTERED LIFE UNDERWRITERS:** 270 Bryn Mawr Avenue, Bryn Mawr, Pennsylvania 19010; Telephone: 215-896-4300; President, Robert W. Greig, CLU; Executive Vice President and Managing Director, John R. Driskill, CLU. An organization of individuals who hold the Chartered Life Underwriter (CLU) designation and belong to local chapters. Conducts seminars and institutes on such subjects as law, taxation, estate planning and business life insurance.

**AMERICAN SOCIETY OF PENSION ACTUARIES:** 1700 K Street, N.W., Washington, D.C. 20006; Telephone: 202-785-4366; President, Charles W. Leggette; Executive Director, Chester J. Salkind. A professional society dedicated to the advancement of the profession of the pension actuary and consultant. Offers an examination program for actuaries and consultants and represents the interests of its members before appropriate forums.

**THE ASSOCIATION OF LIFE INSURANCE COUNSEL:** 51 Madison Ave., New York, New York 10010; Telephone: 212-679-1110; President, John B. Stoddart, Jr.; President-Elect, Herman T. Bailey; Secretary-Treasurer, Paul E. Klein, New York Life Insurance Company. An organization of life insurance counsels. Seeks to increase knowledge of areas of law affecting life insurance companies.

**ASSOCIATION OF LIFE INSURANCE MEDICAL DIRECTORS OF AMERICA:** P.O. Box 7378, Philadelphia, Pennsylvania 19101; Telephone: 215-472-5000. President, John O. Alden, M.D.; Secretary, Frank T. Mansure, M.D. Medical directors of life insurance companies. Encourages the advancement of the science of medicine as applied to insurance.

**CONFERENCE OF ACTUARIES IN PUBLIC PRACTICE:** 208 South LaSalle Street, Chicago, Illinois 60604; Telephone: 312-782-8683; President, William A. Ferguson; Secretary, Edward H. Friend. Membership composed of consulting actuaries and government actuaries.

**HOME OFFICE LIFE UNDERWRITERS ASSOCIATION:** President, John T. Snore; Secretary, Wallace Harper, Mutual Life Insurance Company of New York, 1740 Broadway, New York, New York 10019; Telephone: 212-708-3025. An organization of home office underwriters of legal reserve life insurance companies. Offers an education program through the Academy of Life Underwriting designed specifically for professional home office life underwriters.

**INSTITUTE OF HOME OFFICE UNDERWRITERS:** President, Emil L. Tobler; Secretary-Treasurer, John B. Ensor, Monumental Life Insurance Company, Two East Chase St., Baltimore, Maryland 21202; Telephone: 301-685-2900. An organization of home office underwriters. Aims to increase the knowledge of underwriting principles through discussions, surveys and presentation of papers, and through the education program of the Academy of Life Underwriting.

**INSURANCE ACCOUNTING AND STATISTICAL ASSOCIATION:** Mutual Plaza, Durham, North Carolina 27701; Telephone: 919-683-2356; President, Barnett Williams; Secretary-Treasurer, Walter R. Mason. An international organization to promote the study, research and development of modern techniques in insurance accounting, systems and statistics.

**INTERNATIONAL CLAIM ASSOCIATION:** President, C. Robert Wieselthier; Secretary, William F. Meyer, Western and Southern Life Insurance Company, 400 Broadway, Cincinnati, Ohio 45202; Telephone: 513-421-1800. Comprised of officers and employees of life and health insurance companies who handle the claims function for those companies.

**LIFE INSURANCE ADVERTISERS ASSOCIATION:** 900 Des Moines Street, Suite 200, Des Moines, Iowa 50316; Telephone: 515-266-2189; President, Warren A. Goodenough, Jr., CLU; Secretary, Gene Higgins. An organization of persons interested in life insurance advertising, sales promotion, public and policyholder relations and company communications. Conducts workshops, distributes case histories describing specific activities of member companies and makes awards for outstanding materials.

**THE LIFE UNDERWRITER TRAINING COUNCIL:** 1922 F Street, N.W., Washington, D.C. 20006; Telephone: 202-393-5240; Chairman of the Board, Robert W. Verhille, CLU; President, Loran E. Powell, CLU. An organization which provides sales training in life and health insurance at intermediate levels. Members are agents taking part in sales training courses sponsored by local life underwriter associations.

**MILLION DOLLAR ROUND TABLE:** 2340 River Road, Des Plaines, Illinois 60018; Telephone: 312-298-1120; President, Stanley Liss, CLU; Executive Vice President, Roderick L. Geer. Composed of life insurance agents who consistently sell at least $1.66 million face amount of life insurance annually and maintain membership in the National Association of Life Underwriters.

**NATIONAL ASSOCIATION OF LIFE UNDERWRITERS:** 1922 F Street, N.W., Washington, D.C. 20006; Telephone: 202-331-6000; President, H. Kirke Lewis, CLU; Executive Vice President, Jack E. Bobo, CLU. An organization working through local groups of agents, which sponsors sales congresses and seminars, promotes high ethical standards, participates in community service projects and supports legislation in the interest of the insuring public and the agency system.

**SOCIETY OF ACTUARIES:** 208 South LaSalle Street, Chicago, Illinois 60604; Telephone: 312-236-3833; President, Robin B. Leckie; Executive Director, John E. O'Connor, Jr. Organization of individuals trained in the application of mathematical probabilities to the design of insurance and pension programs. Sponsors examinations leading to designation of Fellow or Associate in Society.

## OTHER ORGANIZATIONS

**THE AMERICAN COLLEGE:** 270 Bryn Mawr Avenue, Bryn Mawr, Pennsylvania 19010; Telephone: 215-896-4500; Chairman of the Board, Dr. John T. Fey; President, Dr. Davis W. Gregg, CLU. Provides an educational program through the S.S. Huebner School of CLU. Offers studies leading to the award of the CLU (Chartered Life Underwriter) diploma and professional designation, fosters continued educational growth through its School of Advanced Career Studies, and grants the degree of Master of Science in Financial Services through the Graduate School of Financial Sciences. Accredited by the Middle States Association of Colleges and Schools.

**S.S. HUEBNER FOUNDATION FOR INSURANCE EDUCATION:** W-145 Dietrich Hall/CC, University of Pennsylvania, Philadelphia, Pennsylvania 19104; Telephone: 215-243-7621; Chairman of the Board of Trustees, Frank K. Tarbox; Chairman of the Administrative Board and Executive Director, Dr. Dan M. McGill. Makes fellowship grants for doctoral study and publishes research studies in the field of insurance.

**MEDICAL INFORMATION BUREAU:** P.O. Box 801, Boston, Massachusetts 02103; Telephone: 617-329-4500; Chairman of the Board, Jack R. Manning, M.D.; President, Neil M. Day. A nonprofit association of more than 700 member life insurance companies founded by medical directors providing a central information exchange. With the applicant's written consent, statements about health or risk activities can be checked with the Medical Information Bureau to alert insurers to inaccuracies, omissions and willful attempts at fraud.

**NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS:** 350 Bishops Way, Brookfield, Wisconsin 53005; Telephone: 414-784-9540; President, Honorable William H.L. Woodyard III; Executive Secretary, Jon S. Hanson. An organization of state officials supervising insurance, which promotes uniformity of legislation and regulation affecting insurance.

**NATIONAL FRATERNAL CONGRESS OF AMERICA:** 230 West Monroe Street, Chicago, Illinois 60606; Telephone: 312-782-3446; President, Arley R. Bjella; Executive Vice President, Raymond A. Klee; Secretary-Treasurer, Jonni L. Dempsey. A federation of fraternal benefit societies writing life, accident and health insurance.

# GLOSSARY

## A

**Accidental death benefit.** *A benefit in addition to the face amount of a life insurance policy, payable if the insured dies as the result of an accident. Sometimes referred to as "double indemnity."*

**Actuary.** *A person professionally trained in the technical aspects of insurance and related fields, particularly in the mathematics of insurance—such as the calculation of premiums, reserves and other values.*

**Adjustable life insurance.** *A type of insurance that allows the insured to switch the type of protection, raise or lower the face amount of the policy, increase or decrease the premium and lengthen or shorten the protection period.*

**Agent.** *A sales and service representative of an insurance company. Life insurance agents may also be called life underwriters.*

**Annuitant.** *The person during whose life an annuity is payable, usually the person to receive the annuity.*

**Annuity.** *A contract that provides a periodic income at regular intervals for a specified period of time, such as number of years or for life.*

**Annuity certain.** *A contract that provides an income for a specified number of years, regardless of life or death.*

**Annuity consideration.** *The payment, or one of the regular periodic payments, an annuitant makes for an annuity.*

**Application.** *A statement of information made by a person applying for life insurance. It helps the life insurance company assess the acceptability of risk.*

**Assignment.** *The legal transfer of one person's interest in an insurance policy to another person.*

## B

**Beneficiary.** *The person named in the policy to receive the insurance proceeds at the death of the insured.*

**Broker.** *A sales and service representative who handles insurance for his clients, generally selling insurance of various kinds and for several companies.*

**Business life insurance.** *Life insurance purchased by a business enterprise on the life of a member of the firm. It is often bought by partnerships to protect the surviving partners against loss caused by the death of a partner, or by a corporation to reimburse it for loss caused by the death of a key employee.*

## C

**Cash surrender value.** *The amount available in cash upon voluntary termination of a policy by its owner before it becomes payable by death or maturity.*

**Certificate.** *A statement issued to individuals insured under a group policy, setting forth the essential provisions relating to their coverage.*

**Claim.** *Notification to an insurance company that payment of an amount is due under the terms of a policy.*

**Convertible term insurance.** *Term insurance which can be exchanged, at the option of the policyholder and without evidence of insurability, for another plan of insurance.*

**Credit life insurance.** *Term life insurance issued through a lender or lending agency to cover payment of a loan, installment purchase, or other obligation, in case of death.*

## D

**Declination.** *The rejection by a life insurance company of an application for life insurance, usually for reasons of the health or occupation of the applicant.*

**Deferred annuity.** *An annuity providing for the income payments to begin at some future date.*

**Deferred group annuity.** *A type of group annuity providing for the purchase each year of a paid-up deferred annuity for each member of the group, the total amount received by the member at retirement being the sum of these deferred annuities.*

**Deposit administration group annuity.** *A type of group annuity providing for the accumulation of contributions in an undivided fund out of which annuities are purchased as the individual members of the group retire.*

**Deposit term insurance.** *A form of term insurance in which the insured pays an additional sum (deposit) with the initial premium. This additional sum, plus interest, is returned to the insured or converted to a cash value of a new whole life policy at the end of the term period, usually 10 years. If the policy does not remain in force for the term period, the additional sum is forfeited.*

**Disability benefit.** *A feature added to some life insurance policies providing for waiver of premium, and sometimes payment of monthly income, if the policyholder becomes totally and permanently disabled.*

**Dividend.** *A return of part of the premium on participating insurance to reflect the difference between the premium charged and the combination of actual mortality, expense and investment experience. Such premiums are calculated to provide some margin over the anticipted cost of the insurance protection.*

**Dividend addition.** *An amount of paid-up insurance purchased with a policy dividend and added to the face amount of the policy.*

## E

**Endowment.** *Life insurance payable to the policyholder if living, on the maturity date stated in the policy, or to a beneficiary if the policyholder dies prior to that date.*

**Expectation of life.** *The average number of years of life remaining for a group of persons of a given age according to a particular mortality table.*

**Extended term insurance.** *A form of insurance available as a nonforfeiture option. It provides the original amount of insurance for a limited period of time.*

## F

**Face amount.** *The amount stated on the face of the policy that will be paid in case of death or at the maturity of the policy. It does not include additional amounts payable under accidental death or other special provisions, or acquired through the application of policy dividends.*

**Family income policy.** *A life insurance policy, combining whole life and decreasing term insurance. The beneficiary receives income payments to the end of a specified period if the insured dies prior to the end of the period plus the face amount of the policy — either at the end of the period or at the death of the insured.*

**Family policy.** *A life insurance policy providing insurance on all or several family members in one contract, generally whole life insurance on the principal breadwinner and smaller amounts of term insurance on the other spouse and children, including those born after the policy is issued.*

**Fraternal life insurance.** *Life insurance provided by fraternal orders or societies to their members.*

## G

**Geographic divisions** (in the United States)

- *NORTHEAST*
  - *New England: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont*
  - *Middle Atlantic: New Jersey, New York, Pennsylvania*
- *NORTH CENTRAL*
  - *East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin*
  - *West North Central: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota*
- *SOUTH*
  - *South Atlantic: Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia*
  - *East South Central: Alabama, Kentucky, Mississippi, Tennessee*
  - *West South Central: Arkansas, Louisiana, Oklahoma, Texas*
- *WEST*
  - *Mountain: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming*
  - *Pacific: Alaska, California, Hawaii, Oregon, Washington.*

**Grace period.** *A period (usually 30 or 31 days) following the premium due date, during which an overdue premium may be paid without penalty. The policy remains in force throughout this period.*

**Group annuity.** *A pension plan providing annuities at retirement to a group of people under a master contract. It is usually issued to an employer for the benefit of employees. The individual members of the group hold certificates as evidence of their annuities.*

**Group life insurance.** *Life insurance usually without medical examination, on a group of people under a master policy. It is typically issued to an employer for the benefit of employees, or to members of an association, for example a professional membership group. The individual members of the group hold certificates as evidence of their insurance.*

## I

**Individual policy pension trust.** *A type of pension plan, frequently used for small groups, administered by trustees who are authorized to purchase individual level premium policies or annuity contracts for each member of the plan. The policies usually provide both life insurance and retirement benefits.*

**Industrial life insurance.** *Life insurance issued in small amounts, usually less than $1,000, with premiums payable on a weekly or monthly basis. The premiums are generally collected at the home by an agent of the company. Sometimes referred to as debit insurance.*

**Insurability.** *Acceptability to the company of an applicant for insurance.*

**Insurance examiner.** *The representative of a state insurance department assigned to participate in the official audit and examination of the affairs of an insurance company.*

**Insured life.** *The person on whose life the policy is issued.*

## L

**Lapsed policy.** *A policy terminated for nonpayment of premiums. The term is sometimes limited to a termination occurring before the policy has a cash or other surrender value.*

**Legal reserve life insurance company.** *A life insurance company operating under state insurance laws specifying the minimum basis for the reserves the company must maintain on its policies.*

**Level premium life insurance.** *Life insurance for which the premium remains the same from year to year. The premium is more than the actual cost of protection during the earlier years of the policy and less than the actual cost in the later years. The building of a reserve is a natural result of level premiums. The overpayments in the early years, together with the interest that is to be earned, serve to balance out the underpayments of the later years.*

**Life annuity.** *A contract that provides an income for life.*

**Life expectancy.** *The average number of years of life remaining for a group of persons of a given age according to a particular mortality table.*

**Life insurance in force.** *The sum of the face amounts, plus dividend additions, of life insurance policies outstanding at a given time. Additional amounts payable under accidental death or other special provisions are not included.*

**Limited payment life insurance.** *Whole life insurance on which premiums are payable for a specified number of years or until death if death occurs before the end of the specified period.*

## M

**Master policy.** *A policy that is issued to an employer or trustee, establishing a group insurance plan for designated members of an eligible group.*

**Mortality table.** *A statistical table showing the death rate at each age, usually expressed as so many per thousand.*

**Mutual life insurance company.** *A life insurance company without stockholders whose management is directed by a board elected by the policyholders. Mutual companies, in general, issue participating insurance.*

## N

**Nonforfeiture option.** *One of the choices available if the policyholder discontinues premium payments on a policy with a cash value. This, if any, may be taken in cash, as extended term insurance or as reduced paid-up insurance.*

**Nonmedical limit.** *The maximum face value of a policy that a given company will issue without the applicant taking a medical examination.*

**Nonparticipating policy.** *A life insurance policy in which the company does not distribute to policyholders any part of its surplus. Note should be taken that premiums for nonparticipating policies are usually lower than for comparable participating policies. Note should also be taken that some nonparticipating policies have both a maximum premium and a current lower premium. The current premium reflects anticipated experience that is more favorable than the company is willing to guarantee, and it may be changed from time to time for the entire block of business to which the policy belongs. (See also:* Participating policy)

## O

**Ordinary life insurance.** *Life insurance usually issued in amounts of $1,000 or more with premiums payable on an annual, semiannual, quarterly or monthly basis.*

## P

**Paid-up insurance.** *Insurance on which all required premiums have been paid. The term is frequently used to mean the reduced paid-up insurance available as a nonforfeiture option.*

**Participating policy.** *A life insurance policy under which the company agrees to distribute to policyholders the part of its surplus which its Board of Directors determines is not needed at the end of the business year. Such a distribution serves to reduce the premium the policyholder had paid. (See also:* Policy dividend; Nonparticipating policy)

**Permanent life insurance.** *A phrase used to cover any form of life insurance except term; generally insurance that accrues cash value, such as whole life or endowment.*

**Policy.** *The printed legal document stating the terms of the insurance contract that is issued to the policyholder by the company.*

**Policy dividend.** *A refund of part of the premium on a participating life insurance policy reflecting the difference between the premium charged and actual experience.*

**Policy loan.** *A loan made by a life insurance company from its general funds to a policyholder on the security of the cash value of a policy.*

**Policy reserves.** *The measure of the funds that a life insurance company holds specifically for fulfillment of its policy obligations. Reserves are required by law to be so calculated that, together with future premium payments and anticipated interest earnings, they will enable the company to pay all future claims.*

**Premium.** *The payment, or one of the periodic payments, a policyholder agrees to make for an insurance policy.*

**Premium loan.** *A policy loan made for the purpose of paying premiums.*

## R

**Rated policy.** *Sometimes called an "extra-risk" policy, an insurance policy issued at a higher-than-standard premium rate to cover the extra risk where, for example, a policyholder has impaired health or a hazardous occupation.*

**Reduced paid-up insurance.** *A form of insurance available as a nonforfeiture option. It provides for continuation of the original insurance plan, but for a reduced amount.*

**Renewable term insurance.** *Term insurance which can be renewed at the end of the term, at the option of the policyholder and without evidence of insurability, for a limited number of successive terms. The rates increase at each renewal as the age of the insured increases.*

**Reserve.** *The amount required to be carried as a liability in the financial statement of an insurer, to provide for future commitments under policies outstanding.*

**Rider.** *A special policy provision or group of provisions that may be added to a policy to expand or limit the benefits otherwise payable.*

**Risk classification.** *The process by which a company decides how its premium rates for life insurance should differ according to the risk characteristics of individuals insured (e.g., age, occupation, sex, state of health) and then applies the resulting rules to individual applications. (See:* Underwriting)

## S

**Separate account.** *An asset account established by a life insurance company separate from other funds, used primarily for pension plans and variable life products. This arrangement permits wider latitude in the choice of investments, particularly in equities.*

**Settlement options.** *The several ways, other than immediate payment in cash, which a policyholder or beneficiary may choose to have policy benefits paid. (See also:* Supplementary contracts)

**Stock life insurance company.** *A life insurance company owned by stockholders who elect a board to direct the company's management. Stock companies, in general, issue nonparticipating insurance, but may also issue participating insurance.*

**Straight life insurance.** *Whole life insurance on which premiums are payable for life.*

**Supplementary contract.** *An agreement between a life insurance company and a policyholder or beneficiary by which the company retains the cash sum payable under an insurance policy and makes payments in accordance with the settlement option chosen.*

## T

**Term insurance.** *Life insurance payable to a beneficiary only when a policyholder dies within a specified period.*

## U

**Underwriting.** *The process by which a life insurance company determines whether or not it can accept an application for life insurance, and if so, on what basis.*

## V

**Variable annuity.** *An annuity contract in which the amount of each periodic income payment may fluctuate. The fluctuation may be related to securities market values, a cost of living index, or some other variable factor.*

**Variable life insurance.** *Life insurance under which the benefits relate to the value of assets behind the contract at the time the benefit is paid. The amount of death benefit payable would, under variable life policies that have been proposed, never be less than the initial death benefit payable under the policy.*

**Variable premium life insurance.** *A whole life type of protection with premiums geared to the insuring company's rate of return on its investments.*

## W

**Waiver of premium.** *A provision that under certain conditions an insurance policy will be kept in full force by the company without further payment of premiums. It is used most often in the event of total and permanent disability.*

**Whole life insurance.** *Life insurance payable to a beneficiary at the death of the policyholder whenever that occurs. Premiums may be payable for a specified number of years (limited payment life) or for life (straight life).*

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